

U.PORTO



ECONOMICS AND MANAGEMENT

**HOW FIRMS TRANSFORM THE KNOWLEDGE TO WHICH
THEY ARE EXPOSED THROUGH A RELATIONSHIP IN A FOREIGN
COUNTRY INTO A COMPETITIVE ADVANTAGE**

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Master Degree Dissertation in Marketing

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September, 2014



BIOGRAPHICAL NOTE

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ACKNOWLEDGEMENTS

First and foremost, I would like to express my gratitude to my supervisor, Prof. Doutora Raquel Meneses, for her knowledgeable guidance. I would like to acknowledge her enthusiasm during this arduous journey which was a great source of motivation.

To all my teachers, I want to express my gratitude for their lessons and knowledge shared, which were a great contribute to this research.

I would also like to demonstrate my gratitude to all companies and people that accepted the invitation to participate in this empirical investigation. I am deeply grateful to all respondents who generously gave their time to make this research possible: José Fernandes and Martinho Silva in representation of Mar Ibéria; Ricardo Gomes in representation of Herdade Vale da Rosa; Nuno Gouveia in representation of Herdade Vale da Rosa; Tiago Alves in representation of Science4you; and Hugo Monteiro in representation of Xarão.

My gratitude is extended to my friends and colleagues for theirs friendly backup and incentive. Their words of motivation proved to be priceless during this demanding journey.

Most of all I would like to express my deepest gratitude to my family, from which I own the motivation to work hard and be determined to always do better, and for all the happy moments which are the fuel to every accomplish of my life.

At last but not the least, I want to thank my boyfriend for never doubt that I would accomplish this study even in times I doubt myself. I am deep grateful for his friendship and words of encouragement during this challenging process.

ABSTRACT

Market knowledge is a crucial resource for firms during internationalisation. Firms may obtain and acquire such knowledge through experience and/or through collaboration.

The main purpose of this research is to suggest how the external knowledge obtained through a partnership in a new foreign country is transformed into a competitive advantage. This study brings a fresh approach – the process of firms' absorptive capacity – to the literature regarding knowledge acquisition during the internationalisation process and its transformation into a competitive advantage. To better address the research question, five firms were selected, all providers of the same company in Poland. The cases were analysed in the light of the abductive approach, which granted this study a more holistic view to the phenomena in the study.

The results showed that the exposition to external knowledge is a precondition to firms' absorptive capacity; however it is not *per se* a determinant. The process to transform exposed knowledge into a competitive advantage is constituted by four stages and there are identified multiple factors that encourage or compel the accomplishment of each stage. The qualitative research suggests that the *awareness of all actors* is a trigger for knowledge acquisition and assimilation. Furthermore, the results suggest that the *same culture* between partners have a positive effect in the knowledge transformation and exploitation.

Furthermore, the network in which the new foreign partner is integrated diminishes the *liability of foreignness* since there is proximity between partners regarding culture, language, etc.; and the *liability of outsidership* as the source of the knowledge holds a relevant position within the network.

Keywords: internationalisation; absorptive capacity; knowledge transfer; network

RESUMO

Conhecimento de mercado é um recurso indispensável às empresas durante o processo de internacionalização. Este conhecimento pode ser obtido e adquirido pelas empresas da experiência e/ou através de parcerias com outras empresas.

O principal objetivo desta pesquisa é sugerir como o conhecimento externo obtido através de uma parceria num novo país é transformado em uma vantagem competitiva. Este estudo traz uma nova abordagem - o processo de *absorptive capacity* das empresas - com a literatura sobre a aquisição do conhecimento durante o processo de internacionalização e sua transformação numa vantagem competitiva. Para melhor abordar a questão de pesquisa, cinco empresas foram selecionadas, todas fornecedoras de uma mesma empresa, na Polónia. Os casos foram analisados à luz da abordagem abduzitiva, que concedeu a este estudo uma visão mais holística dos fenómenos em estudo.

Os resultados mostraram que a exposição ao conhecimento externo é uma condição prévia para a capacidade de absorção das empresas; no entanto, não é por si só um fator determinante. O processo de transformar o conhecimento externo numa vantagem competitiva é constituído por quatro fases e são identificados vários fatores que incentivam ou impedem o alcance de cada etapa. A pesquisa qualitativa sugere que o reconhecimento de todos os atores da rede de relacionamentos é um gatilho para a aquisição de conhecimento e sua assimilação. Além disso, os resultados sugerem que a mesma cultura entre os parceiros têm um efeito positivo na transformação e aproveitamento do conhecimento.

Cumulativamente, a rede na qual o novo parceiro estrangeiro está integrado diminui a *liability of foreignness*, uma vez que, existe uma proximidade entre parceiros em termos culturais, linguísticos, etc.; e a *liability of outsidership*, dado que a origem do conhecimento detém uma posição relevante dentro da rede.

Palavras-Chave: internacionalização; absorptive capacity; transferência de conhecimento; redes

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1. INTRODUCTION

In a small open economy such as the Portuguese economy, internationalisation is a key factor for the growth of domestic firms and consequently the wellbeing of the country. Nowadays, internationalisation is regarded as an inevitable step in constructing a wealthy and successful firm due to globalization (Zain and Ng 2006). Although borders and limitations to internationalisation are still in existence, they have changed over the years. Internationalisation can be strategic to potentiate the growth of smaller firms (Coviello and Munro 1995) and, subsequently, the growth of the economy as in most countries, including Portugal, the entrepreneurial is constituted in its majority by small to medium-sized enterprises (SMEs) (Agndal and Chetty 2007). In Portugal, in the year of 2012, micro and SME's represented 99.7% of national firms¹.

The internationalisation process involves risks and higher investment of resources, therefore challenges for business (Eriksson, Johanson et al. 1997). Henceforth, the perceived cost in the internationalisation process is higher when the firm lacks from specific knowledge about the foreign country (Eriksson, Johanson et al. 1997).

In some cases, internationalisation is only possible due to a partner (client, supplier, distributors, and competitors) that has a significant role in an international network. Since learning about foreign markets is only possible through collaborations with firms with a relevant position in the international network who have this knowledge (Eriksson, Johanson et al. 1997). According to Johanson and Vahlne (2009), the knowledge acquired within a network of relationships during the internationalisation process is crucial to a successful internalisation as it increases the awareness to opportunities of the firm. Nevertheless, some firms are able to build a relevant position in the new market, as a result of a partnership, but others do not. In some cases, they

¹ “Estrutura e dinâmica das Sociedades Não Financeiras em Portugal 2006-2012”, Estudos da Central de Balanços, Banco de Portugal (2013), accessed September 28, 2013, http://www.bportugal.pt/pt-PT/ServicosaoPublico/CentraldeBalanços/Biblioteca%20de%20Tumbnails/Estudos%20da%20CB%2012_2013.pdf

cannot use the knowledge they were exposed through the partnership in the pursuit of commercial advantages in the new market, therefore the perceived cost of the internationalisation process is still high.

Throughout the years, there have been many studies that research the influence of relationship networks in the internationalisation (Coviello and Munro 1995, Coviello and Munro 1997, Agndal and Chetty 2007, Johanson and Vahlne 2009). Some of these studies explored the knowledge concept regarding it as a key factor to internationalisation, however, not exploring how firms absorb, adapt and exploit this knowledge.

Therefore, the purpose of this study is to analyse the concept of knowledge driven from the firm's relationships in an internationalisation background, explaining how this knowledge is acquired, absorbed and transformed and then used to obtain competitive advantages in the new market. In resume, the research topic of this study is how the firm transform the knowledge that it is exposed through a relationship into a competitive advantage.

This research aims to understand fully the concept of knowledge by exploring literature on the internationalisation market development and giving to this concept a new insight exploring the capability of a firm to use the acquired knowledge to its own advantage. The empirical analysing will focus on the business relationships of Portuguese SMEs, understanding which knowledge are acquired within a relation and how this knowledge is explored and exploited in the pursuit of a relevant position in the business network. To deeply understand the complex phenomena in this study, apprehending the complex social singularities of it, this research will adopt a qualitative approach based on multi-case study.

This research is divided into five main sections. Beginning with section one, an introduction to the research theme followed by the aims of this work. Section two is dedicated to literature review in order to contextualise the phenomena of the study. The literature review will explore the concepts of internationalisation process, absorptive capacity and knowledge transfer, ending with the initial theoretical framework of analysis which encompasses these three main concepts. In section three the

methodology process regarding qualitative approach will be explained. In the same section case analysis is introduced and the data procedures are also explained. In section four the cases will be analysed separately, a new framework is presented in the light of the research findings and the respective conclusion. The study ends with section five which presents the final conclusions of this research alongside the limitations and suggestions for future research.

2. LITERATURE REVIEW

Knowledge is regarded as the main resource for firms during the internationalisation process, both from incremental internationalisation process and network theories of internationalisation. Therefore, the literature regarding knowledge in the international context is vast.

In the light of network theory the firms may absorb specific market knowledge, key to international market expansion, through their relationship in overcoming the *liability of foreignness* and the *liability of outsidership*.

In an internationalisation context, knowledge transfer is a value resource of firms, helping to overcoming the risks and costs of doing business in a foreign market. Therefore, the firm must achieve the absorptive capacity so that the firms have the ability to apply it to commercial ends.

This section begins with the clarification of the internationalisation process, in the light of incremental and network theory, as well as knowledge transfers in partnerships and absorptive capacity of knowledge. The initial framework of analysis is then presented, followed by a discussion of its categories and interactions.

2.1. INTERNATIONALISATION PROCESS

Through the years there have been many efforts to understand the process of internationalisation. There are two main approaches to international studies. One approach relates to the international market expansion as an incremental process, discussing the firm's increasing market knowledge and commitment over time in exploring the "steps" of internationalisation (Johanson and Wiedersheim-Paul 1975,

Johanson and Vahlne 1977). The second approach of the extent of the literature suggests that the internationalisation process involves and is influenced by its network, *i.e.*, the set of relationship connections a firm develops (Coviello and Munro 1995, Coviello and Munro 1997, Johanson and Vahlne 2009).

Both of these approaches in the study will be discussed including the obstacles of international market expansion.

2.1.1. MODELS OF INCREMENTAL INTERNATIONALISATION

The literature discusses the incremental approach to internationalisation process vastly. Since Johanson and Wiedersheim-Paul (1975), internationalisation was conceptualised as an incremental process that follow an establish chain, where firms commitment towards the foreign market grows in every step of the chain. This incremental process depends, according to the authors, on the firms' structure and its capacities to develop knowledge in the course of its business activity. Based on two pillar assumptions: (1) as a result of incremental decisions, firms before internationalisation, started their business activities in the domestic market; (2) resources and knowledge deficiency are the most dangerous obstacles to internationalisation. Firms start the internationalisation process to closer countries in terms of *psychic distance*, tantamount to saying that firms will first choose countries with similar language, culture, political system and level of education, level of industrial development, etc., as these countries represent a lower perceptive risk. Through incremental decision-making and learning from everyday experiences about the foreign markets and operations, firms may lower the most dangerous obstacle to internationalisation (Johanson and Wiedersheim-Paul 1975).

Used as the groundwork, the findings of Johanson and Wiedersheim-Paul (1975) on the incremental pattern of internationalisation, Johanson and Vahle, in 1977, created the Uppsala model of internationalisation, the most conceptual model of the incremental

internationalisation theory (Coviello and Munro 1997). According to the Uppsala model (Johanson and Vahlne 1977), the internationalisation process is incremental as firms start to internationalise to countries with lower *psychic distance*, “the sum of factors preventing the flow of information from and to the market” (Johanson & Vahlne 1977, p. 28), exemplified by differences in language, education, business practices, culture and industrial development. The incremental process helps firms escape the uncertainty that surrounds the international market expansion as they increase their current activities. Through the experience in this market, firms acquire market knowledge and increase their market commitment, which will reduce the *psychic distance* and consequently lower the risk to expand to more psychically distant markets (Johanson and Vahlne 1977).

This process as its origins in the *liability of foreignness* (Johanson and Vahlne 2009), a concept that explains “all additional costs a firm operating in a market overseas incurs that a local firm would not incur” (Zaheer 1995, p. 343). Consequently, “the larger the *psychic distance* the larger is the liability of foreignness” (Johanson and Vahlne 2009, p. 1412). In the understanding provided by Zaheer (1995), the *liability of foreignness* concept arise from: “(1) costs directly associated with spatial space, such as the costs of travel, transportation and coordination over distance and across time zones; (2) firm-specific costs based on particular company’s unfamiliarity with and lack of roots in a local environment; (3) costs resulting from the host country environment, such as the lack of legitimacy of foreign firm and economic nationalism; (4) costs from home country environment” (p. 343). Hence it is expected that, *ceteris paribus*, a foreign firm has a competitive disadvantage when compared to a local firm in a country (Zaheer and Mosakowski 1997). According to Zaheer and Mosakowski (1997), the *liability of foreignness* decreases over time. Nevertheless, it is clear that competing in a new foreign market is fundamental, at least in the beginning, to possess a competitive advantage over local firms in order to compensate the *liability of foreignness* (Zaheer and Mosakowski 1997). Consequently, the market knowledge of foreign countries is key to achieving a competitive advantage during the internationalisation process (Johanson and Vahlne 1977).

Although Johanson and Wiedersheim-Paul (1975) identified knowledge as a crucial element of the internationalisation process, Johanson and Vahle (1977) define this concept and introduces in their model as a state aspect. Johanson and Vahle (1977), in the light of Penrose [1959] knowledge concept, acknowledge the division of knowledge in objective knowledge, that can be learnt, and experiential knowledge, that can only be obtain through experience, even though the Uppsala model finds the experiential knowledge more relevant, considered by the author the main drive towards internationalisation. Experiential knowledge is acquired by experience in ordinary activities of a firm in a foreign country, such as dealing with clients, solving problems and pursuing opportunities (Johanson and Vahlne 1977). The authors also assumed that market knowledge is country-specific; therefore firms have great costs in accumulating it.

Eriksson, Johanson et al. (1997) go deeper in the definition of the experiential market knowledge acquisition during internationalisation identifying three dimensions to this concept: *foreign business knowledge*, *foreign institutional knowledge* and *internationalisation knowledge*. *Foreign business knowledge* is concern with the business environment of a country, *i.e.*, knowledge of how laws and norms are, in practice, applied and how business is organised (customers, competitors and distributors). *Institutional knowledge* is identified by the authors (1997, p. 343) as “experiential knowledge of government, institutional framework, rules, norms, and values”, aspects that we can identify as triggers of *psychic distance*. On the other hand, *Internationalisation knowledge* refers to “experiential knowledge of the firm’s capability and resources to engage in international operations” (Eriksson, Johanson et al. 1997, p. 343).

Reinforcing the idea of knowledge as a crucial piece of the internationalisation process, although with a different view upon the concept, Grant (1996) developed the knowledge-based view (KBV) of the firm having, with its foundation, the resource-based view of the firm. However, not a theory, as denoted by the author, KBV is important as a contextualisation of the knowledge concept. According to Grant (1996), knowledge is the most strategic resource of a firm and it encompasses many types relevancy to the firm. As the foundations of the KBV, Grant (1996) considers the

following characteristics of knowledge to be crucial to add value to the firm: the transferability of knowledge - is slow, uncertain and costly for explicit knowledge and is a critical concern within a firm; the capacity for aggregation of the recipient to add new knowledge to existing knowledge; the appropriability of knowledge is less expensive than to create; specialisation in knowledge acquisitions leads to greater “efficiency in knowledge production (by which I mean the creation of new knowledge, the acquisition of existing knowledge, and storage of knowledge)” (Grant 1996, p. 112); all human productivity is a consequence of knowledge. Complementary to organisational capabilities notion to obtain value through knowledge conceptualised by the KBV of internationalisation, is vital to understand the capability of a firm to learn and absorbed knowledge (Prashantham 2005).

In conclusion, the incremental internationalisation process regarded specifically experimental knowledge at an international level as the main limitation in the internationalisation process, which only the firm itself can obtain. According to the Uppsala model (Johanson and Vahlne 1977), only by doing business on a foreign market it is possible to achieve market knowledge and, therefore, diminish the *liability of foreignness*. In like manner, the KBV (Grant 1996) denote that “the ability to transfer and aggregate knowledge varies between different types of knowledge” (p. 119), stating that tacit knowledge is harder to transfer.

2.1.2. NETWORKS AND THE INTERNATIONALISATION PROCESS

On the other hand, network theory describes internationalisation as a dynamic process influenced by the relationships formed by the firm (Coviello and Munro 1995, Coviello and Munro 1997, Johanson and Vahlne 2009).

According to network theory, markets are a net of firms linked by dynamic and complex relations (Johanson and Vahlne 2009). In the understanding of Håkansson and Snehota (1989), the exchange among organisations within the same network is constant, tends to be unceasing over time and has substantial influence on their behaviour.

Håkansson and Snehota (1989) sustain “a shift in focus away from the way the organisation allocates and structures its internal resources and towards the way it relates its own activities and resources to those of the other parties constituting its context” (p. 187). Hence, no firm is an independent actor as the interaction between the firm and its surroundings affect the firm’s conduct.

The continuous exchange of relationships between players (suppliers, competitors and customers) that create a vast number of links is the foundation of the network theory. The interactions between organisations are created in the pursuit of the firm’s own goals and by being connected to each other the firms are able to share their knowledge in a win-win perspective; therefore “performance is therefore largely dependent on whom it interacts with” (Håkansson and Snehota 1989, p. 192).

In the light of more recent literature, networks must be consider as a resource of the firm as it can help firms to obtain knowledge and thereby be more aware of marketed opportunities during internationalisation (Coviello and Munro 1995, Johanson and Vahlne 2009).

These linkages between firms allow them to gain access to each other’s resources and exploit them (Håkansson and Snehota 1989), which boosts learning, building trust and commitment preconditions for internationalisation according to Johanson and Vahlne (2009). Therefore, the firm may use its contacts to leverage their competitive advantage and minimize the costs and risks when expanding to new foreign countries (Johanson and Mattsson 1988).

Johanson and Vahlne (2009) introduced the concept of *liability of outsidership* to conceptualise the uncertainty and difficulties associated with being an *outsider* in a relationship network. Emphasising that, however being in a relationship network is necessary, it is not sufficient to have a successful internationalisation as the firm needs to outcome the *liability of outsidership* (Johanson and Vahlne 2009).

According to Johanson and Vahlne (2009) “anything that happens, happens within the context of a relationship and a firm that is well established in a relevant network or networks is an “insider”” (p. 1415). As a result, if a firm does not have a relevant

position in a network it will suffer from *liability of outsidership* (Johanson and Vahlne 2009).

To overcome the *liability of outsidership* the firm must use its network to build trust, commitment and learn, conquering a relevant position which will favour the firm to gain more access to knowledge (Johanson and Vahlne 2009). Nevertheless, more recent literature affirms that to overcome the *liability of outsidership* the firm must first recognise that it is an *outsider*; identify which network is the relevant one; re-organise its resources and capabilities in order to connect in the international relevant network; and accessing, managing and leveraging the opportunities identified in the new network (Schweizer 2013).

In conclusion, *outsidership* implies that a firm does not have a relevant position in a relevant network and internationalisation can be perceived as a process where the firm gradually builds its position inside a relevant network within a foreign market (Schweizer, Vahlne et al. 2010).

The network is an important source of specific knowledge such as marketing, cultural, technological and competitive information. This specific knowledge gathered through firms' network is different from general market information (Eriksson and Chetty 2003). Eriksson and Chetty (2003) clarified that, "general market information is gathered through market research and country reports, which is objective knowledge that can be easily transferred. Knowledge of specific relationships in a network is, however, learned by doing and is tacit and hard to transfer" (p. 674).

Coviello and Munro (1997), suggest that linkages with a major actor in a network may result in a rapid and successful internationalisation as it can provide worthy guidelines on the mechanism of the foreign market. The strategic moves on internationalisation process are influenced by early relationships of the firm with their partners and subsequent business network since it allows access to new market opportunities and potential new partners (Coviello and Munro 1997).

According to Johanson and Vahlne (2009), knowledge is a pre-condition to internationalisation. Knowledge is acquired through market experience, *i.e.*, *first-hand*

knowledge (Silva, Pacheco et al. 2012), but also obtain within a network, *i.e.*, *second-hand knowledge* (Silva, Pacheco et al. 2012). The *second-hand knowledge* is not only a result of interactive activities with their partners but also as an effect of the interaction itself that generates a new knowledge only conceivable due to the interface of the different parties allowing firms to be more aware of market opportunities (Johanson and Vahlne 2009). In short, firms within a relationship revealed and developed in knowledge collaboration (Håkansson and Snehota 1989).

Such effect of the network is more preponderant in SMEs due to their limited capabilities and management resources (Erramilli and D'Souza, 1993; Buckley, 1989; O'Farrell and Hitchens, 1998 in Coviello and Munro, 1997). Due to *liability of smallness* the *second-hand knowledge* is crucial in the internationalisation process of SMEs (Rochester 2005 in Silva, Pacheco et al. 2012). According to Coviello and Munro (1997) the business relationship may be seen as an effective means to obtain resources and increase capabilities, aspects that are acknowledged as weaknesses in SMEs.

Nevertheless, in order to overcome some marketing weakness and obtain access to a foreign market, managers are willing to sacrifice some control over operation although they aim to, in a near future, regain these control and develop their market position (Coviello and Munro 1995). Some firms fear that a percentage of their sales may be dependent on network partners, which can be a constrained in the pursuit of market opportunities. Although some partnerships are crucial to a successful internationalisation, as the market success grows firms aim to gain more control within the network. Nevertheless not every firm may gain autonomy from their initial network of relationships due to the control of the major network partner that may have the capability of limited the product and market diversification (Coviello and Munro 1995, Coviello and Munro 1997). In line with the revisited Uppsala model (Johanson and Vahlne 2009) it is not the size of a firm where internationalisation process occurs but instead its capability to develop relationships and experience growth throughout the firms internationalisation (Silva, Pacheco et al. 2012). To build a stronger position in a foreign market firms may use a partner as a bridgehead developing knowledge that can be useful to new partnerships (Silva, Pacheco et al. 2012).

2.1.3. CONCLUSION

Despite the changes in the business environment throughout the years and the new literature explanation of the internationalisation process, emphasising the relationship networks, the need to cope with the foreign environment maintains. When internationalising to a new foreign market the firm must overcome the *liability of foreignness*, i.e., the challenges of internationalisation process that occur as a result of the strangeness of the new business environment in multiple forms (political, economic, social, cultural, etc.) and the *psychic distance*, but also the *liability of outsidership*, i.e., the deficient position in a new relevant foreign network (Johanson and Vahlne 2009).

Additionally, the relevant positions in a network expose the firms to new information, which improve the firms understanding of its business partners in foreign markets. As the firms experiences collaborating and acquiring information from its relationships grows the more skills the firm will have to recognise the value of new information and identify opportunities (Eriksson and Chetty 2003).

2.2. KNOWLEDGE TRANSFER

Knowledge has been regarded as a strategic firm asset by many authors since it plays an important role in achieving competitive advantage (Grant 1996, Argote and Ingram 2000, Inkpen 2008). Additionally, it is widely accepted that through a partnership a firm can mitigate its lack of market knowledge as a result of knowledge transfer (Argote and Ingram 2000, Eriksson and Chetty 2003). Knowledge transfer is indispensable to firms as it allows firms to access knowledge that otherwise they would not be able to (Khamseh and Jolly 2008). Therefore, the firm cannot only acquire tacit knowledge by doing (Johanson and Vahlne 1977) but essentially by adapting. Learning by adapting measures the ability of a firm to use the knowledge learnt through a partner to their own operation (Narteh 2010).

Nevertheless, as observed by Inkpen (2008), knowledge is only valuable the company in the future can use it, in some way. It gets more value as it is used. Because it is so demanding and costly to obtain knowledge it is important to focus the company effort to obtain on value knowledge. Although sometimes the firm may not recognise that the knowledge acquired may be used in the future.

“Knowledge transfer in organisations is the process through one unit (*e.g.*, group, department, or division) and is affected by the experience of another.” (Argote and Ingram 2000, p. 151)

Knowledge transfer in organisations changes can be measured through changes in the knowledge or changes on the organisation performance (Argote and Ingram 2000). Since tacit knowledge cannot be captured, the performance measure approach is a more suitable method to measure the knowledge transfer. According to Argote and Ingram (2000), it is commonly agreed that organisation performance can be explain by the knowledge acquired by the organisation.

Argote and Ingram (2000) acknowledged networks as a source of new knowledge and aid interpretation of it and also recognise the necessity of further research to identify the properties that facilitate or impede the knowledge transfer.

The process of knowledge transfer is very difficult (Narteh 2010), however there are some determinants that facilitate knowledge acquisition. The *learning intent* of a firm is an important antecedent of knowledge transfer since it assess partnership as an opportunity for learning and competence acquisition (Hamel 1991). Hamel (1991) also stated that the *learning intent* is positively related to the firm’s calculation of the learning pay-off.

Additionally, *learning intent*, Liu (2009) acknowledge *inter-partner interaction* as an important element of knowledge transfer. According to Liu (2009) the most significant determinants of knowledge acquisition is *learning intent* and *partner interaction*. Relationship marketing and management has an important in dynamic environments (Liu 2009). Prior relationship with a specific partner boots learning and facilitates the trust building between partners (Khamseh and Jolly 2008). Inkpen (2008),

also acknowledges, *visits* to the site of the valuable knowledge and *leadership commitment* to knowledge transfer, learning and change, as knowledge-transfer mechanisms. Furthermore, the network position as a relevant effect on the acquisition of skills and knowledge from other members (Liu 2009).

Knowledge transfer is leveraged by the network position of the firm. If a firm occupies a central position in a relevant network it has more opportunities for knowledge transfer and therefore is more likely to access valuable knowledge from its partner increase the firms innovative capability (Tsai 2001). Conversely, only firms with high absorptive capacity will successfully apply the new knowledge transfer to commercial ends (Cohen and Levinthal 1990, Tsai 2001). In brief, the network position indicates the firm's ability to gain access to knowledge and the absorptive capacity, the capability to explore and exploit the new knowledge (Tsai 2001).

Cohen and Levithal (1990) enlightened "that accumulated prior knowledge increases both the ability to put new knowledge into memory" (p. 129), therefore to acquire and exploit knowledge it is necessary that prior related knowledge and knowledge acquisition and exploitation is cumulative. However, Inkepen (2008) stressed that sometimes prior knowledge is an inhibitor to knowledge transfer because in order to exploit new transfer knowledge the old knowledge has to be dismissed, nevertheless some individuals inside the firm may find it hard to let go of knowledge they associate with their activity. Only when a sufficient number of individuals accept and value the new knowledge will it then be possible to *dismiss old knowledge* and replace it with new knowledge creating an impact in the organisation (Inkpen 2008).

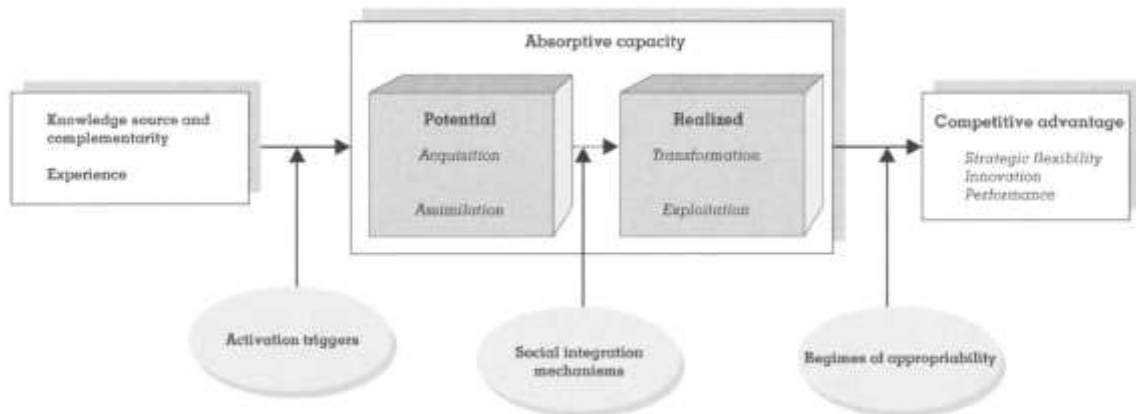
2.3. ABSORPTIVE CAPACITY

As defined by Cohen and Levinthal (1990, p. 128), absorptive capacity is "the ability of a firm to recognise the value of new, external information, assimilate it, and apply it to commercial ends" and is a key determinant of innovative capabilities. The prior related knowledge is highly influential to the absorptive capacity, as it allows the

firm to recognise the value of new knowledge, to assimilate it and to exploit it (Cohen and Levinthal 1990). As premise to this concept Cohen and Levinthal (1990) consider knowledge to be developed cumulatively and sustain that “the cumulativeness of absorptive capacity and its effect on expectation formation suggest an extreme case of path dependence in which once a firm ceases investing in its absorptive capacity in a quickly moving field, it may never assimilate and exploit new information in that field, regardless of the value of that information” (p. 136).

The absorptive capacity model of Cohen and Levinthal (1990) focused on investments in research and development, which lead to a reformulation of this concept in 2002 by Zahra and George which expanded the absorptive capacity concept defining it “as a set of organisational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge to produce a dynamic organisational capability” (p. 186). The four dimensions identified by Zahra and George (2002) of the absorptive capacity – acquisition, assimilation, transformation and exploitation – have different but complementary roles allowing firms to re-organise resources and adjust them to changing market conditions in order to achieve a competitive advantage. The authors also divided the concept into two categories: potential absorptive capacity and realised absorptive capacity.

The potential capacity of a firm consists in its ability to acquire and assimilate external knowledge and experiences. On the other hand, the realised capacity is defined as the transformation and exploitation of knowledge resulting in an innovating output and/or competitive advantage.

Figure 1: A Model of Absorptive Capacity

Source: Zahra and George (2002, p. 192)

As illustrated in the figure 1, Zahra and George (2002, p. 192) conceptualise absorptive capacity as a dynamic model according to the following propositions: (1) The potential knowledge is a result of the diversity and complementarity of the knowledge and experience input; (2) There are external and internal events that increase the firms' awareness to the knowledge value that are identified by the authors as triggers of activation; (3) There are social integration mechanisms, that facilitates information sharing at the same time as increases the efficiency of assimilation and transformation of knowledge, which will enable the transformation of potential absorptive capacity in realised absorptive capacity; (4) Firms with a well-developed absorptive knowledge have highly strategic flexibility to re-organise and adjust their resources to market needs and are more likely to achieve and sustain a competitive advantage through innovation (Zahra and George 2002).

The absorptive capacity model represents a process through which a firm must pass to achieve competitive advantage and harvest its resources. The process begins with the firms' exposure to new experience and knowledge. Then, there are events that encourage or compel the firm to acquire and assimilate, *i.e.*, understanding, the prior knowledge and past experience, achieving potential absorptive capacity. These events that can be internal or external are denominated activation triggers. When achieved

potential absorptive capacity and to go further in the process the firm must transform and exploit, or in other words, internalise, use and implement, so the firm may accomplish realise absorptive capacity. For these purpose, social integration mechanisms can facilitate the information dissimilation and eventual exploitation of knowledge. These mechanisms may occur “either informally (*e.g.*, social network) or formally (*e.g.*, use of coordination)” (Zahra and George 2002, p. 194). Finally, the appropriability regime may help the firm to achieve strategic flexibility, innovation and performance (Zahra and George 2002). Appropriability regime is defined by Humelinna-Laukkanen (2012) as “the ability to protect innovation” (p. 188), but also as external factors uncontrolled by the firm (such as legislation framework) or internal firm decisions that influence the successful achievement of innovation and the organisations goals without competitive spill-overs (Hurmelinna-Laukkanen 2012). Low appropriability regime means high knowledge and competitive spill-overs (Zahra and George 2002).

The capacity to absorb knowledge is cumulative and the development of new knowledge is facilitated by the “depth of experience with customer in on-going business” and the *diversity of experience* (Eriksson and Chetty 2003, p. 685). The depth experience, measured both by duration and how much prior experience a firm has with a particular customer, has a positive effect on the absorptive capacity generated from customer network. Therefore, the more experience a firm has with a customer the better it can absorb the experience and knowledge shared through the customer’s network. On the other hand, the *diversity of experience* helps firms in developing knowledge on how to expand internationally which helps the absorptive capacity of a firm during the internationalisation process though it does not have any effect on the customer network absorptive capacity (Eriksson and Chetty 2003).

2.4. SUMMARY AND INITIAL FRAMEWORK OF ANALYSIS

Internationalisation is a process that depends on the increasing knowledge of a firm about the foreign country (Johanson and Wiedersheim-Paul 1975, Johanson and

Vahlne 1977), their way of doing business, their laws, rules, norms and values and the capabilities and resources needed for a successful internationalisation to this specific country (Eriksson, Johanson et al. 1997). According to Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), knowledge of the market, the clients, the problems and opportunities can only be acquired in the foreign market during the current activities of the firm. As the market knowledge of a foreign country increases, it lowers the negative effect of the *psychic distance* (Johanson and Wiedersheim-Paul 1975, Johanson and Vahlne 1977).

However, more recently some studies indicated that market knowledge about a foreign country can be obtained through a network of business relationship (Coviello and Munro 1995, Coviello and Munro 1997, Johanson and Vahlne 2009), of ensuring that firms are able to acquire the knowledge necessary to internalisation only by belonging to a business network.

Second-hand knowledge is a crucial resource in internationalisation to a new market as it is more value than general market information. Market knowledge is very value as it is learnt by doing which means it is tacit and hard to transfer, unlike general market information that is accumulated through research and reports that can be easily acquire and transferred (Eriksson and Chetty 2003).

In the light of the absorptive capacity concept (Cohen and Levinthal 1990, Zahra and George 2002), knowledge is only a booster of internalisation if the firms have the capacity to explore and exploit this knowledge. The absorptive capacity of a firm reflects the ability to use its prior related knowledge and diverse background to identify the value of new knowledge and to develop it into something creative (Zahra and George 2002).

A review of the literature resulted in the initial framework of analysis, presented in figure 2, for the study. The framework was constructed in the light of the model of absorptive capacity of Zahra and George (2002), and represents the process of a firm in the pursuit of competitive advantage.

During the on-going business with a relevant partner in a network, firms are exposed to specific market knowledge, more precisely the types of knowledge identified

by Eriksson, Johanson et al. (1997) – *foreign business knowledge*, *foreign institutional knowledge* and *internationalisation knowledge*.

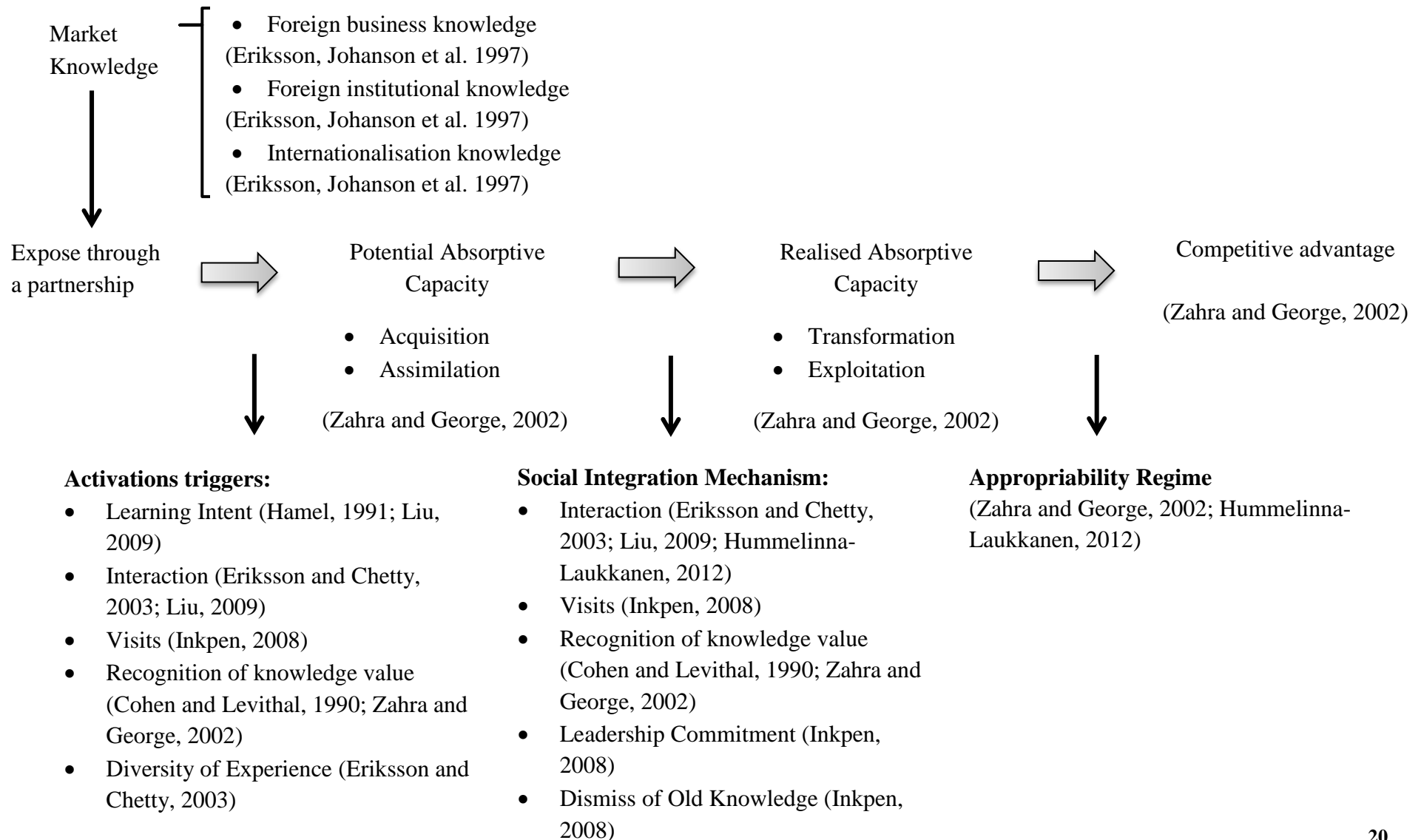
The first phase of the absorptive capacity model is potential absorptive capacity. There are activation triggers that encourage or compel the firm to achieve the next phase. As a result of the literature review were identified the following activation triggers: *learning intent* (Hamel 1991, Liu 2009); *interaction* (Eriksson and Chetty 2003, Liu 2009); *visits* (Inkpen 2008); *recognition of knowledge value* (Cohen and Levithal, 1990; Zahra and George, 2002); and, *diversity of experience* (Eriksson and Chetty, 2003).

When the potential absorptive capacity is achieved, the firm must transform and exploit the new knowledge acquired and assimilated. There are social integration mechanisms that facilitate the information sharing and transformation in order for the firm to achieve the realised absorptive capacity. *Interaction*; *visits*; *recognition of knowledge value*; *leadership commitment*, i.e., the commitment of the decision makers to the relationship with a specific customer (Inkpen 2008); and *dismiss old knowledge*, i.e., dismiss of old knowledge to be replaced with new one (Inkpen, 2008), are the social integration mechanisms that emerge from the literature review.

It is important to denote that *visits*, *interaction* and *recognition of knowledge value* are common to activation triggers and social integration mechanisms. Since, as a result of the literature review, it is considered that these categories has the effect, at the same time, of encouraging or compelling the firms awareness to knowledge and a mechanism that facilitates information sharing, assimilation and transformation.

In light of the literature review it was considered relevant to separate *inter-partners interaction* from *visits*. In consideration of the impact of physical *visits* to the site of the value knowledge has a different impact on the knowledge transfer from the on-the-job experience given by *inter-partners interaction* (Eriksson and Chetty 2003, Inkpen 2008, Liu 2009).

To complete the absorptive capacity and achieve a sustainable competitive advantage the firm must protect innovation and prevent competitive spill-overs. Nevertheless, some appropriability regimes are external to firms.

Figure 2: Framework of the literature review

Source: Own elaboration

2.5. CONCLUSION

Knowledge is the core element of a sustainable competitive advantage and one of its best resources, therefore, in every interaction with its environment firms try to transfer and absorb this knowledge (Khamseh and Jolly 2008). Although *second-hand knowledge* may be a critical asset during internationalisation, it is hard to capture, transfer and make it useable (Inkpen 2008).

To firms achieve the competitive advantages there are internal and external events that encourage or compel the firm to acquired, assimilate, transform and exploit the knowledge to which was exposed during collaboration (Zahra and George 2002).

As concluded by Coviello and Munro (1995) it is fundamental that managers understand the impact of networks on the internationalisation process, since future opportunities emerge from these relationships. Therefore, is vital for managers understand as much as possible of the internationalisation process and be aware of the possible advantages of the knowledge the firms are exposes during collaborations.

In order to diminish the risks and cost associated to internationalisation process the firm must have knowledge about how to do business in the new country (Eriksson, Johanson et al. 1997). This knowledge has many natures and it is crucial to facilitate the current activities in a foreign country. As concluded in the literature review, firms can obtain the many types of knowledge required to internationalisation within a relationship network. Nevertheless, to obtain a relevant position in a relationship network, it is vital to value this knowledge, absorbed, explore and exploit it in new commercial ends.

3. METHODOLOGICAL APPROACH

In order to achieve the goals of this research it is crucial to choose the most suitable methodology since it offers the theoretical support to pursue the best practices that can be applied to study the research questions.

This research aims to understand the social context singularities and experiences that shape the study phenomena; therefore, it will adopt qualitative method. To accomplish the analysis of this study within the view of qualitative method, this thesis will choose a multi-case study.

Each method has its particular advantages and disadvantages depending upon the phenomena study and the goals of the research. This chapter will describe the research work needed to better address the initial framework of analysis and the best method to achieve this purpose. Additionally, it will explain the procedures of case selection and how the data was collected and analysed.

3.1. QUALITATIVE APPROACH

The nature of the study and its enquiries are central to the role of the investigation, therefore highly influential on the methodology (Eisenhardt and Graebner 2007).

According to Eisenhardt and Graebner (2007), when the existing theory does not address completely the study research question, the researcher should decide on theory building approach rather than the theory testing. Although empirical literature about knowledge transfer and absorptive capacity of the firm is vast it fails to address how the firm obtain absorptive capacity during the internationalisation process.

In addition, theory building is more suitable in researches which question “how” and “why” in research fields that are incomplete (Eisenhardt and Graebner 2007, Yin

2009) and “the focus is on a contemporary phenomenon within a real-life context” (Yin 2009, p. 2). Once this study aims to study how firms transform the knowledge which they are exposed through a relationship into a competitive advantage, it will adopt theory building in order to fill the knowledge gaps meanwhile answering how the phenomena in the study occurs.

Internationalisation is a rich and highly complex process as well as the knowledge transfer during this process. This study aims to understand completely how *second-hand knowledge* is acquired and exploited through a provider-customer partnership during internationalisation and the firms’ absorptive capacity of this knowledge. Therefore, this study will adopt an exploratory approach based on qualitative data as it “offers insight into complex social processes that quantitative data cannot easily reveal” (Eisenhardt and Graebner 2007, p. 26).

The qualitative approach is gradually being more recognised for its value to theory suggestions from cases (Kovács and Spens 2005, Eisenhardt and Graebner 2007, Yin 2009). The qualitative approach based on “case studies emphasize the rich, real-world context in which the phenomena occurs” (Eisenhardt and Graebner 2007, p. 25), giving a holistic perspective and the meaningful characteristics of a phenomena such as international relations (Yin 2009). In other words, “letting reality tell its story on its own terms” (Gummesson 2001, p. 151). In the qualitative approach, the theory emerges from the recognition of cross-case partners of categories and dimensions identified by the researcher with the organisation and deep analysis of the data (Eisenhardt 1989, Dubois and Gadde 2002, Eisenhardt and Graebner 2007).

The analysis of few cases should be consider a strength as it enables a more in-depth understanding of the relations between a phenomenon and its context (Dubois and Gadde 2002, Yin 2009).

Therefore, this study will use multiple case studies as it provides richer data, making it possible to make comparisons and identify emergent findings building a better ground to new theory (Eisenhardt 1989). Dubois and Gadde (2002) highlight the “opportunities offered by an intertwined research process enabled by case research” (p.

555), which a linear methodology will not be endowed to reflect the advantages of case studies since the research process consists of planned subsequent phases.

Therefore, as suggested by Dubois and Gadde (2002), for researches that aim to completely assimilate the case study potential, this study will use a systematic combining approach. Grounded in an abductive logic, this approach has for its main characteristics the “continuous movement between an empirical world and a model world” (Dubois and Gadde 2002, p. 554). Additionally, the “abductive approach is fruitful if the researcher's objective is to discover new things (...) rather than confirming existing theories” (Dubois and Gadde 2002, p. 559). As well as the systematic combining approach, the theory suggestions from case results emerge from the constant association between the case data and emerging theory (Kovács and Spens 2005, Eisenhardt and Graebner 2007).

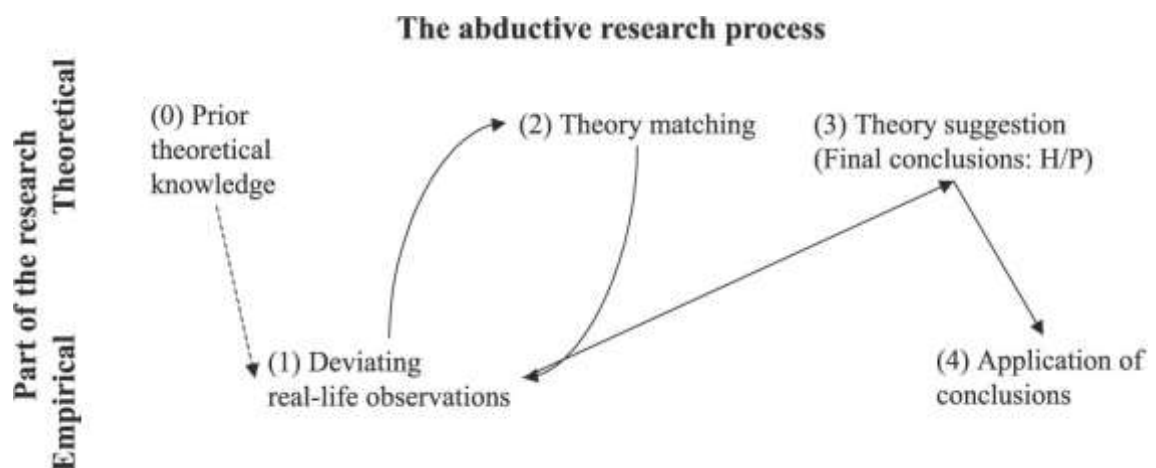
Abduction aim's to understand the study phenomena in a new perspective using, for that purpose, a new conceptual framework (Dubois and Gadde 2002, Kovács and Spens 2005). To achieve a clearer view of the phenomena and to prevent premature or even false conclusions it is crucial to look at the data in many different points of view and think out of the research question and literature review avoiding the leverage to identified pre-known relationships between variables and theories (Eisenhardt 1989). Therefore, for a more correct analysis of the case, it is important to continuously oppose the theoretical framework and the research questions. This process of going “back and forth” is particularly relevant to theory suggestions which are grounded on the abductive logic (Kovács and Spens 2005).

Although it is not the starting point it can acknowledge the importance of the prior theoretical knowledge and its influence on the abductive research process. The process starts when the empirical research does not match with prior theories. The attempt itself to address this knowledge gap between empirical and theoretical research, the interactive process of systematic combining with the final goal of theory building and theory suggestions start to materialise (Dubois and Gadde 2002, Kovács and Spens 2005).

Henceforth, the use of abductive research in this study was a consequence of the singularities of the study *per se*. The process started with a prior theoretical knowledge that was unable to address the first real-life observation. For that reason, it was necessary to search for theory matching. The multi-cases study was built through an interactive process between theory and empirical research to achieve a theory suggestion (Figure 3).

The aim of the abductive approach process (Figure 3) is to understand new phenomenon and suggest new theories in the form of new hypotheses (H) or proportions (P) (Kovács and Spens 2005).

Figure 3: The Abductive Research Process



Source: Kovács and Spens, 2005 (p. 139)

The major contribution of systematic combining to this research is the possibility of constantly being able to move from empirical data collected to theoretical available framework to support cross-case patterns.

3.2. CASES SELECTION

In order to address the empirical research it is important to identify the sample of firms can accomplish to provide rich information about the study phenomenal, and then establish the data procedures and then established a rigorous system to analyse the data collected.

Sample selection is preponderant to address the research questions. It is key to select the most suitable and relevant samples of business that are relevant to the research and provides rich information. Following the aim to shape new theory the sample selection must be based on specific cases that can better contribute to give new insights understandings about the framework of the research questions (Eisenhardt and Graebner 2007).

Therefore, in this particular research the sample must give relevant information about: (1) how knowledge is acquired by the firm with its partner that makes the internationalisation process possible; (2) does the firm have capability to use this knowledge outside this relation in other situations during internationalisation.

As stated by Dubois and Gadde (2002), in abductive approach the main purpose of the sample must be addressing the gap between empirical evidences and theoretical knowledge, therefore there is no need to build a sample selection that achieve statistic inference. In cases studies the sample does not need to represent a population, with the aim to generalize the conclusions to a universe (Yin 1992). On the contrary, the aim of the sample is not to test a theory but to create theoretical propositions (Yin 1992, Eisenhardt and Graebner 2007). Even the opponents of the use of case studies accept its exploratory capacity despite the results of case studies can test theory since the findings of case studies can be generalized (Hillebrand, Kok et al. 2001).

For these reason, the theoretical sample in qualitative approaches shall be select because they are the better suitable cases to address the phenomena study (Eisenhardt and Graebner 2007).

Which case should be treated as a study, therefore the cases must be chosen straightforward, with the aim that together the set of cases selected will better support the theory suggestion (Johnston, Leach et al. 1999).

Regarding the number of cases analysed, Yin (2009) stated that the number of cases used is irrelevant to achieve the purpose of the study since the number of replications necessary to detect an effect is the aim of the study that really matters.

The number of cases analysed depended on the achievement of theoretical saturation and data saturation, in other words, this study will analyse cases until the point where an additional case does not bring new insights to clarify the research question (Eisenhardt, 1989). Likewise, Gummesson (2001) stated that the sample is theoretical and the cases may be chosen purposefully with the aim to give the maximum information and guided to saturation, *i.e.*, the addition of new cases should stop when the information added approaches zero.

Nevertheless, Eisenhardt (1989) considered that to achieve relevant and consistent theory from case analysis the number of cases considered must be between 4 and 10. According to Eisenhardt (1989) the number of cases analysed should be never higher than 10 as it becomes difficult to scope the complexity of the cases.

With the objective of isolating the effect of different exposure to knowledge in an internationalisation context, this study selected a unique source of knowledge. Therefore, this research will study the transformation of knowledge exposed through the relationship between providers and Jerónimo Martins in Portugal and Biedronka in the context of the internationalisation process to Poland into competitive advantage.

JERÓNIMO MARTINS

Jerónimo Martins is a Portugal-based international food group. Founded in 1792 the Jerónimo Martins nowadays operates in three different areas - manufacturing, services and distribution – in three different countries – Portugal, Poland and Colombia. The main activity of the group is food distribution through Pingo Doce supermarkets, Recheio cash and carry in Portugal, Biedronka supermarket chain in Poland and Ara

proximities stores in Colombia. The success of Jerónimo Martins Group is a result of their experience that allowed the group to obtain key competitive competences such as: creation of strong brands to sustain business, adaptation of business models to markets and consumer trends, continuous optimisation of operation costs and management capacity in uncertain and volatile environments.

BIEDRONKA

Founded in 1995 Biedronka is the largest supermarket chain in Poland with 2 393 stores, over 45 thousand workers and 3,5 million customers (in 31st December, 2013) and the food retail market leader in that country. Own by the Portuguese group Jerónimo Martins, Biedronka differentiates from other supermarket chains in Poland in their commitment to customers' satisfaction offering quality products with low prices. Biedronka has an assortment of perishable and non-perishable goods with over 1000 product references. The majority of the products sold in Biedronka are of polish origin – more than 90%². Nevertheless, in 2013, the products import from Portugal, such as, wine, cheese, vegetables and fruits increase. Currently, Biedronka has about 50 Portuguese providers in its supply chain. During the first six months of 2014 the sales of Biedronka increase in 9% and were open 92 new stores³.

Frequently the company launches campaigns with Portuguese products which are a window of opportunity to many typical Portuguese products be introduced in the polish market.

In the particular cases study, by choosing a common actor in the relationship which acts in a specific country, we can mitigate the possible influence of partners and countries on the knowledge transfer and be able to compare with more accuracy the absorptive capacity of the firms in analyse. All selected cases were exposed in the same

^{2,3} Comunicado de Empresa: Resultados Anuais 2013, Jerónimo Martins 2014, accessed August 15, 2014, http://www.jeronimomartins.pt/media/543467/comunicado_de_imprensa__resultados_anuais_2013.pdf

way and to the same knowledge provided by Jerónimo Martins Portugal and Biedronka during the process of internationalisation to Poland. Therefore, the ground to compare is the same to each firm in analyse.

The set of cases that will be present in this study is a result of a reflected selection. The case selection was made in the attempt to fulfilling the following attributes: be a SME; be a provider of Jerónimo Martins; made at least one commercial transaction with Biedronka. It also was consider the sector of activity with the aim to cover, as much as possible, the entire universe of the Biedronka providers. Through newspaper articles and Biedronka flyers campaigns was made the initial case selection.

The firms were invited to participate in this study by e-mail (Annex 1). Five firms fulfil the attributes necessary to the ambition of the empirical research and responded positively to the request. The case selection was strategically chosen since it comprises a set of firms that complement each other in terms of commercial activities such as non-food, common perishable goods, Portuguese typical perishable goods, common non-perishable goods and Portuguese typical non-perishable goods. This diversity on cases permitted a more comprehensive scope about the phenomena study.

The five firms selected deliberately as theoretical – Mar Ibérica, Herdade Vale da Rosa, Abrunhoeste, Science4you and Xarão – allowed the empirical research to have more holistic scope of the phenomena in analysis.

MAR IBÉRICA

Founded in 1987, Mar Ibérica is a Portuguese SME company specialized in processing and marketing deep-frozen fish, seafood and pre-cooked products such as fish sticks and hake filets.

The company started its activity by marketing fresh fish. According to Mar Ibérica this experience provided a competitive edge over its competitors as this experience offered privileged knowledge about the points of origin of the raw material.

With 134 workers, this company based in Valença do Minho exports a total of 35% of its production, working with many different countries, such as, Spain, Italy and France, for over more than 20 years.

There were conducted two face-to-face interviews: the first with José Fernandes, CEO of the firm, on the 2nd of March of 2014, in his office in Valença do Minho; and the second with Martinho Silva, CFO, in 9th of July of 2014, in a coffee shop in Porto. The two interviewees were directly involved during the establishment of the partnership with Biedronka.

HERDADE VALE DA ROSA

Herdade Vale da Rosa is a SME Portuguese company, located in the Alentejo region, and it is the major national producer of table grapes, of which stands out the seedless grapes.

Although the company was founded in the year 2000, the Herdade Vale da Rosa started its activity in the 60's. Currently, it produces 12 different kind of grapes, 6 with seeds and 6 seedless, using the pergola method (high vineyards protected by nets and plastic ensuring the right conditions for the development of the grape, significantly extend the harvest period, and leverage all its flavour and its nutritional qualities).

On the 24th of April of 2014 an interview was conducted in the headquarters of Herdade Vale da Rosa with Ricardo Gomes, director of the firm. In addition to the interview, in the analysis of this case, two newspapers were used in which interviews with António Silvestre Ferreira, CEO of the Herdade Vale da Rosa, in *Vida Económica* and *Oje* were published.

ABRUNHOESTE

Abrunhoeste was founded in 1997, dedicating itself to the production and marketing of fruit from Portugal's western region. After 11 years, in 2008, the company

was recognised as an association of producers. This year it increased its production area with the entry of new producers.

Nowadays, Abrunhoeste products are cultivated on about 355 acres, by 26 associated producers.

The company initiated its internationalisation project in 1999/2000, and currently about 90% of its production goes to foreign markets, such as Europe, Africa and South America.

Abrunhoeste started its relationship with Jeronimo Martins about 6 years ago, sending shipments to Biedronka sporadically.

The interview in the present study was conducted in the company facilities, on 24th of April of 2014, with Nuno Goveia, Abrunhoeste's CEO.

SCIENCE4YOU

Originally a partnership with the University of Lisbon, Faculty of Sciences, Science4you was founded in 2008 by Miguel Pina Martins, and began marketing its products at the end of this year, which included quizzes, puzzles, and scientific and educational toys.

In 2009 the company began the process of internationalisation when entering the Spanish market, followed by Brazil and Angola in 2010.

Currently with around 200 products in catalogue, the company has affiliates in Spain and in the United Kingdom and, also, partnerships with the Faculty of Science of the University of Lisbon, the Scientific Park of Madrid and the University of Oxford.

While this research was taking place an interview was conducted with Tiago Alves, country manager of the firm, on 30th of June of 2014. The interview was conducted via video conference, as the interviewee was located in Madrid offices of the company at that moment. With the help of an interview with Tiago Alves, published in

the newspaper Dinheiro Vivo, further analysis was being made regarding the internationalisation to Poland and the beginning of collaboration with Biedronka.

XARÃO

Xarão is a Portuguese liquors company founded in 1982, as a familiar SME. The Company grew consistently, expanding to foreign markets, developing more of its own products and modernising the company facilities.

Nowadays, Xarão exports to 10 foreign markets, in Europe and America, and expects that in 2016, 40% of the products we have as destinations foreign markets.

The company started his business relationship with Jerónimo Martins over 20 years ago. The interview was realised in the company's facilities, in Valongo, with Hugo Monteiro, Xarão's CEO, in 9th of July of 2014.

3.3. DATA PROCEDURES

Researches on complex phenomenon tangle on real-life context require the investigators to use multiple sources of evidence to achieve a comprehensive scope of the study phenomena. Additionally, the use of other data sources, along with the interviews, the major data source of this study, will ensure that the cases selected reflect the substantial theories, as well as the relevant research questions (Yin 2009).

During this research multiple data sources were used (Table 1) to achieve stronger case studies and assured the quality of the data and information thus presenting all the triangulation of the collected data (Eisenhardt 1989). In the analysis of the findings of each case different sources of data were used, although the interviews conducted to the relevant personas in the Biedronka partnership are remain main resource of this research.

First, we used documentation and archives to help on the selection of each case. Several official Biedronka brochures were studied, blogs and news, gathered online, allowing the study to have a more holistic view of the phenomena. The information gathered ensured a better selection of the cases in the study and gave tools for the construction of the guided interviews.

Secondly, there were conduct interviews, which were the main data resource of the present research. This study interviews participants with decision-making power on the partnership with Biedronka.

The first interview was realised on the 2nd of March to José Fernandes, CEO of Mar Ibérica and the last was realised on the 09th of July to Hugo Monteiro the CEO of Xarão.

Table 1: Data Sources

Firm	Interviewee	Position	Place/Source	Date	Sources
Mar Ibérica	José Fernandes	CEO	Office in Valença do Minho	02/03/2014 10:45	Interview: 2 Corporate Presentations: 0
	Martinho Silva	CFO	Coffee Shop in Porto	09/07/2014 09:11	Newspapers Articles: 0 Web Pages: 2
Herdade Vale da Rosa	Ricardo Gomes	Director	Herdade Vale da Rosa Headquarters in Ferreira do Alentejo	24/04/2014 10:28	Interview: 1 Corporate Presentations: 1 Newspapers Articles: 2 Web Pages: 2
	António Silvestre Ferreira	CEO	Vida Económica Newspaper	Publish 17/02/2012	
	António Silvestre Ferreira	CEO	Oje Newspaper	Publish 27/03/2012	
Abrunhoeste	Nuno Gouveia	CEO	Abrunhoeste Headquarters in Torres Vedras	24/04/2014 17:54	Interview: 1 Corporate Presentations: 0 Newspapers Articles: 0 Web Pages: 1
Science4you	Tiago Alves	Country Manager	Via Skype Madrid Office	30/06/2014 08:02	Interview: 1 Corporate Presentations: 0
	Tiago Alves	Country Manager	Dinheiro Vivo Newspaper	Publish 07/11/2012	Newspapers Articles: 2 Web Pages: 1
Xarão	Hugo Monteiro	CEO	Xarão Headquarters in Paredes	09/07/2014 17:34	Interview: 1 Corporate Presentations: 1 Newspapers Articles: 0 Web Pages: 3

Source: Own elaboration

In order to conduct the interviews effectively an interview guide was developed (Annex 2) which reflected the topics consider relevant to the research questions. The interview guide helps the interviewer by giving topical trajectories to orientate the conversation (Cohen and Crabtree 2006).

The interviews were semi-structured which provided a reliable and comparable qualitative data while it gave the informant the liberty to express their ideas without the restrictions of a structured interview providing new insights to the topic which

contribute to a keener understanding of the research topic (Cohen and Crabtree 2006). The questions addressed to interviewers must be determined interactively giving rise to interesting new insights in the process. During this process the data analysis and data collection overlap allowing theory to take shape (Edmondson and McManus 2007). The interview guideline must be adapted to the type of interviewee and the course of the interview before and during the interviews (Gill, Stewart et al. 2008).

Consequently the ambition of the interview is to stimulate the interviewee to discuss the specific research questions which can later be used to create theoretical suggestion with the “pattern-matched” between theory and data (Eisenhardt and Graebner 2007). According to Eisenhardt and Graebner (2007), if the research is well conducted the propositions will be consisted with most of the cases.

The interviews were conducted face-to-face in person, only the interview with Tiago Alves, Country Manager of Science4you was conducted via video conference as he was in Madrid during the research, since it is generally accepted as the best method which can better address the qualitative research (Sturges and Hanrahan 2004). Furthermore, interviews should be conducted at the best suitable time and location for participants and in areas free from distractions (Gill, Stewart et al. 2008). These considerations were taken in to consideration when scheduling the interviews.

The interviews allowed us to address empirically the absorptive capacity process of the firm during the partnership with Biedronka and understand how this process was made and how it helps on the internationalisation to Poland.

All interviews were recorded with the consent of the informants and later transcript. Interview transcripts permits to achieve a more distant view and providing a permanent record of what was and was not said. It is also helpful to take notes during and immediately after each interview about thoughts and observations as they can help in the analysis of the data (Gill, Stewart et al. 2008).

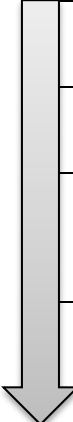
The data collected for this study was analysed by coding and establishing cross-case patterns (Yin 1981), using R software to help the analysis , from which the research finding resulted. According to Yin (1981), when dealing with qualitative data coding is one of the most important concerns. Therefore, the categories may not be too

big or too small. Other important consideration when coding is that not everything should be coded. Only relevant data to the discussion of the research question must be taken into consideration when creating categories and coding (Yin 1981).

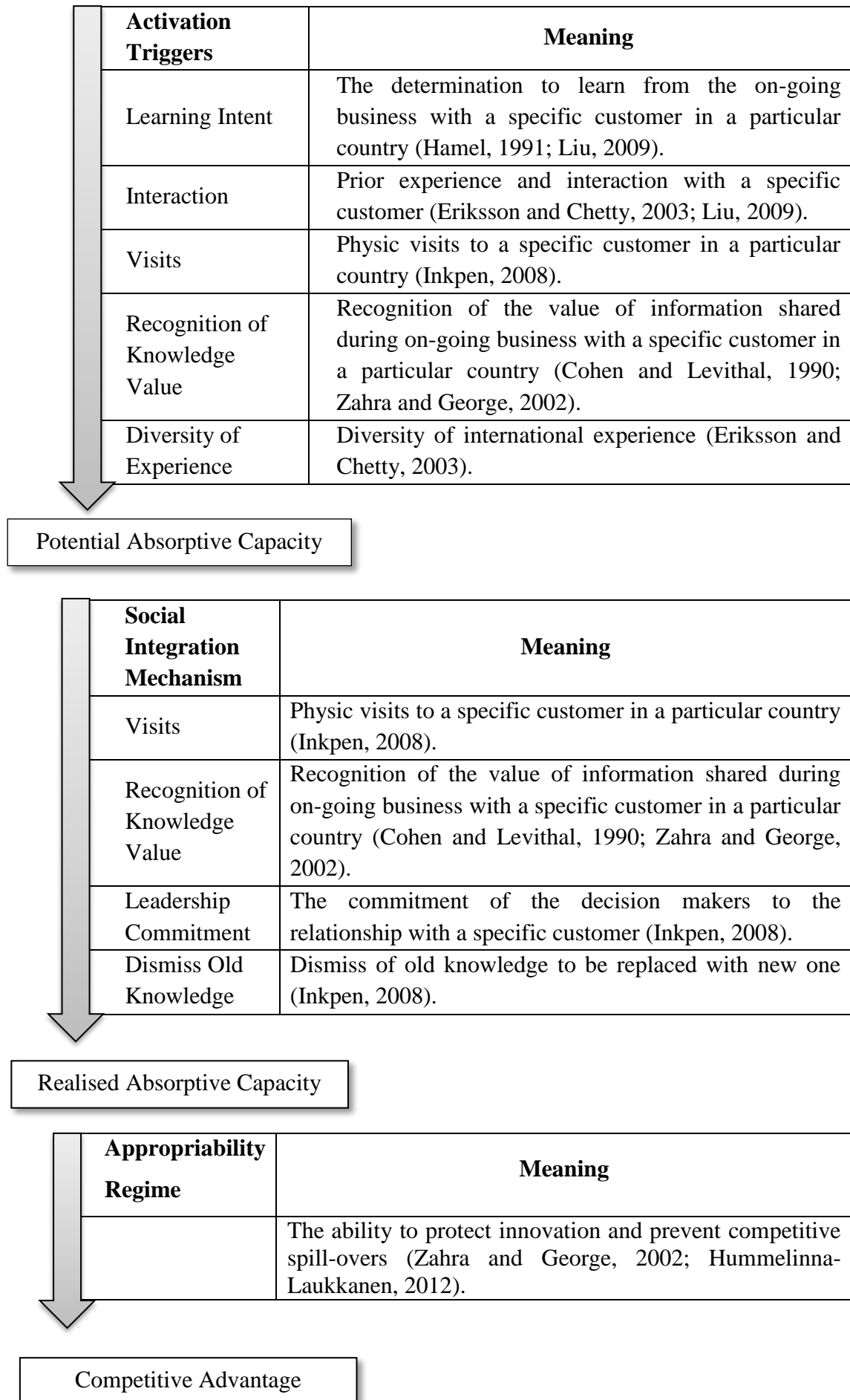
Finally, in order to present the results of the qualitative research it is important to build a conceptual framework so that the research findings can be easily understood. The conceptual framework must be able to explain how the results were obtained and how they were interpreted (Yin 1981).

In the beginning of the empirical research, the collected data was analysed according to the categories identified on the initial framework, which were the results of literature review (Table 2). These categories were the main ground to the empirical analysis of the absorptive capacity process of firms. Resulting from literature review it was suggested that firms were exposed through collaboration to three types of knowledge. To achieve the first step of the process, potential absorptive capacity, there are activation triggers, which influence its accomplishment. The second stage of the process is realised absorptive capacity and its achievement is influenced by social integration mechanisms. Finally, the realisation of the last step, the exploitation of a competitive advantage is influenced by appropriability regimes.

Table 2: Categories of the Initial Conceptual Framework

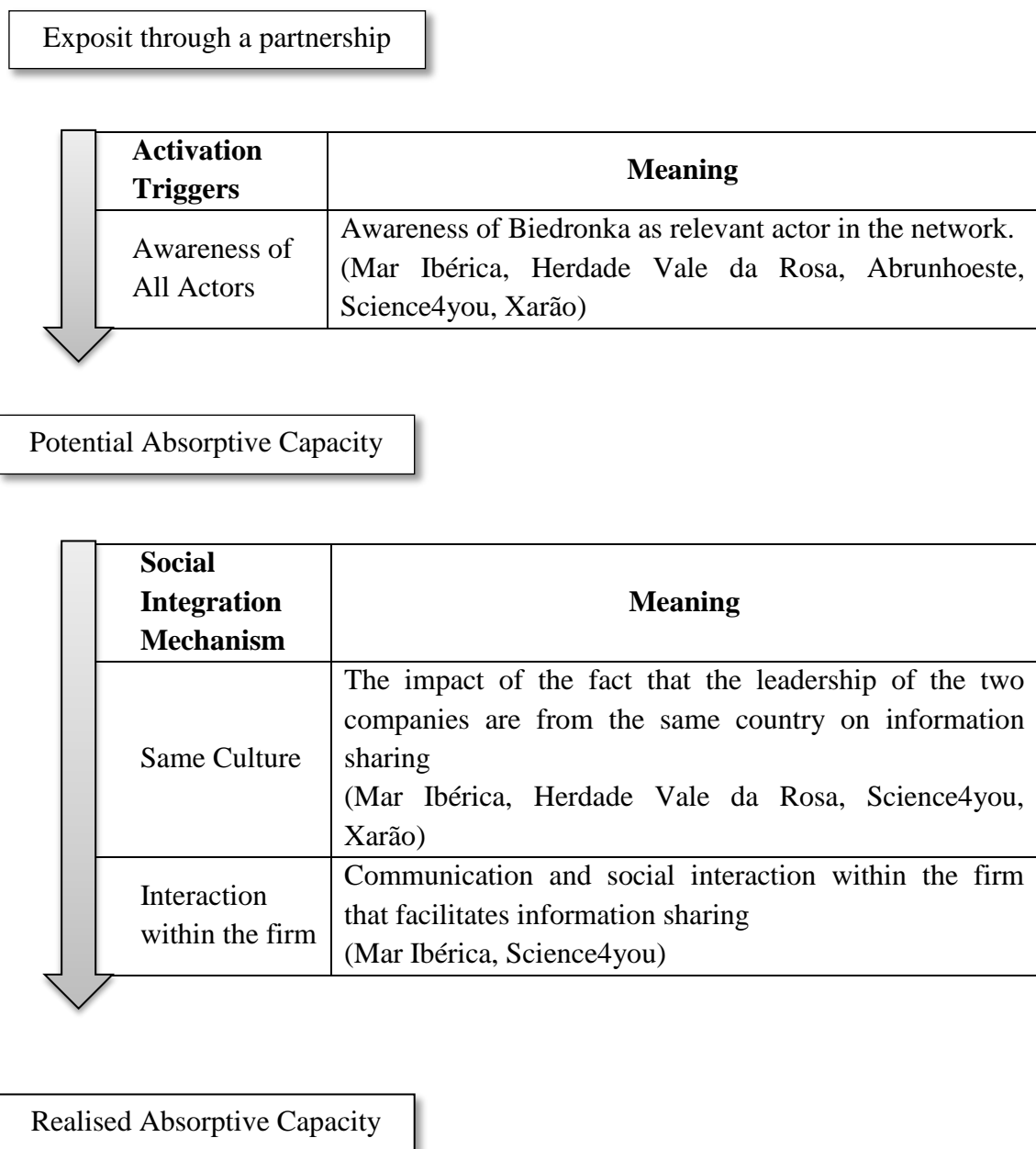
	Market Knowledge	Meaning
	Foreign Business Knowledge	Knowledge related to market, clients and competitors (Eriksson, Johanson et al. 1997)
	Foreign Institutional Knowledge	Knowledge related to government, culture, norms and institutional framework (Eriksson, Johanson et al. 1997).
	Internationalisation Knowledge	Knowledge related to understanding the bureaucracy of the country (Eriksson, Johanson et al. 1997).

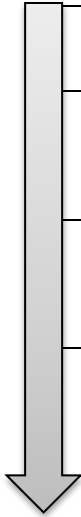
Expose through a partnership



Nonetheless, the researcher may have the freedom to create new categories as new understandings of the phenomena studied emerges from the qualitative data analysis (Edmondson and McManus 2007). What presents itself during the empirical research are some categories that emerge during the interactive process of empirical observation and theory matching, *i.e.*, systematic combining (Table 3).

Table 3: Emerge Categories



 Appropriability Regime	Meaning
	Management Decisions By administration/management decision the knowledge absorbed is not implemented (Herdade Vale da Rosa, Science4you)
	Productive Capacity Given the limited capacity the company chooses not to use the knowledge absorbed in new business situations (Herdade Vale da Rosa)
	Avoidance of Potential Conflict To avoid potential conflict with Biedronka the firm does not tries to find a new polish partner (Herdade Vale da Rosa)

Competitive Advantage

Source: Own elaboration

Nevertheless, Gummesson (2001) express his concern about the analysis and interpretation of qualitative data, considering as the *Achilles heel* of all qualitative researches. For that reason, it is important that the analysis be explicit systematic. In studies of complex phenomena intuition is also required to process data and achieve conclusions (Gummesson 2001).

3.4. CONCLUSION

Despite all the criticisms that were expressed about the qualitative research, it has become more used and accepted in the academic world (Yin 1981, Kovács and Spens 2005, Eisenhardt and Graebner 2007, Yin 2009).

The use of multiple case studies provided richer data to the research and better grounding to new theory (Eisenhardt 1989). The contact interaction between empirical

research and emerging theory bestowed the method adopted as the most suitable to address the present studies.

The continuous moving from empirical observation to theory matching characteristic of the abductive approach (Dubois and Gadde 2002, Kovács and Spens 2005) allowed the present research to have a more holistic scope of the phenomena in study. It is also important to denote the premeditated selection of cases which helped to achieve a better understanding of the subjected in study and, consequently, better support theory suggestions (Johnston, Leach et al. 1999).

The empirical research will focus its analysis in the five cases selected: Mar Ibérica; Herdade Vale da Rosa; Abrunhoeste; Science4you and Xarão. Aiming to comprehend the research questions, the cases were deliberately chosen regarding their relevance to provide new information about the new phenomena in study.

The data collected were analysed by coding and establishing cross-case patterns, using R software to help the analysis, from which resulted the research findings.

4. RESEARCH FINDINGS AND DISCUSSION

As a resulting of the interactive process theory and empirical research, the present section, evaluate the categories identified in the original framework built upon the review of the literature regarding the internationalisation process, knowledge transfer and the absorptive capacity of firms, as well as, evaluating the emergent new categories.

Primarily, the cases were present and analysed individually, describing the process of absorptive capacity regarding the main question of this research: how firms transform knowledge they were exposed into competitive advantage through collaboration with Jerónimo Martins Portugal and Biedronka. Finally, the results of all the cases will be discussed according to the categories identified and establish cross-case patterns.

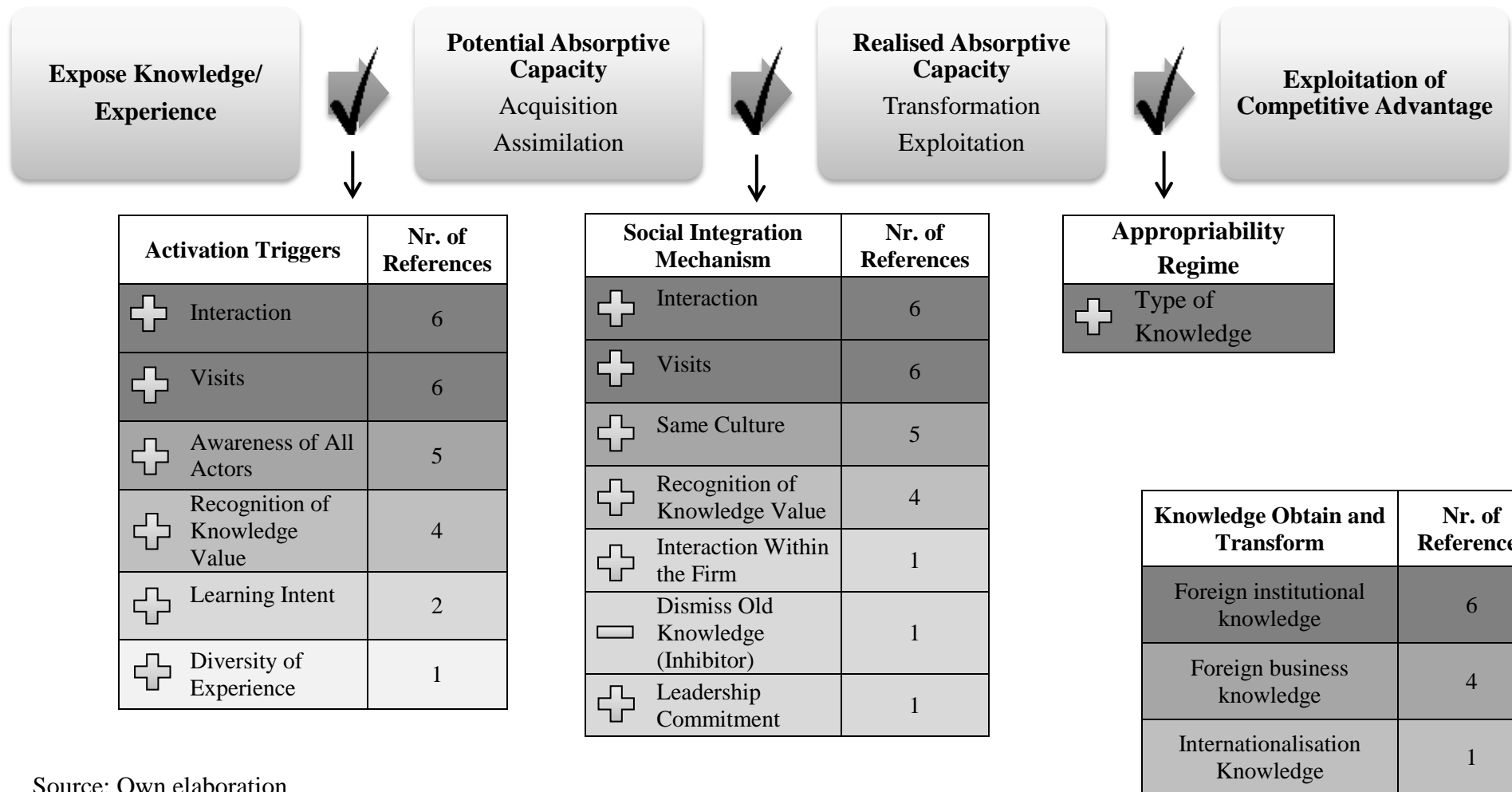
4.2. MAR IBÉRICA – FINDINGS AND DISCUSSION

The analysis of Mar Ibérica process of transformation of the knowledge exposed and experience gathered from the collaboration with Jerónimo Martins Portugal and Biedronka resulted in figure 4, which illustrate the outcomes. Figure 4 is represents every stage of the absorptive capacity process and the categories identified as triggers to achieve the subsequent stage. The categories are sorted by its relevance to accomplish the next step, measured by the number of references for each category.

The findings indicated *interaction*, *visits*, *awareness of all actors*, and *recognition of knowledge value*, *learning intent* and *diversity of experience* as activation triggers with a positive effect in accomplishing potential absorptive capacity. And, as social integration mechanism with a positive effect in the achievement of the realised absorptive capacity stage identified: *interaction*; *visits*; *same culture*; *recognition of*

knowledge value; interaction; and leadership commitment. In addition, it was observed *dismiss of old knowledge*, which is an inhibitor of the realised absorptive capacity.

Figure 4: Absorptive Capacity Process of Mar Ibérica



Source: Own elaboration

Mar Ibérica has been a provider of Jerónimo Martins Portugal, more specifically Pingo Doce, for approximately 12 years. Pingo Doce is a very demanding client as it has many restrictive procedures and quality requirements, but also is one of the biggest players in Portugal, which boosted the company to grow and to improve internal procedures. As mention by Martinho Silva, CFO of Mar Ibérica, *“we are also evolving somehow, because they [Jerónimo Martins] have a set of rules that they require the supplier to fulfil”*.

As pointed out by José Fernandes, the collaboration between Mar Ibérica and Jerónimo Martins Portugal over the years made the firm aware of Poland as a possible new market and more specific Biedronka as a partner: *“because of our regular supplies from Jerónimo Martins Group, we believed that we could also have some opportunities on one or more specific products to be launch in that country [Poland]”*.

One can observe that a positive effect took place for Mar Ibérica network since the relationship costumer-provider made Mar Ibérica aware of Poland as a possible new market and more specifically Biedronka as a partner. The decision to establish a partnership was strongly structured and studied. Despite of the relationship client-provider of approximately 12 years, Mar Ibérica decided to establish the partnership in Poland by contacting directly Biedronka as they acknowledged that Jerónimo Martins in Portugal has many deep-frozen providers and some of them may already try to establish a partnership with Biedronka through some contacts in Jerónimo Martins Portugal.

Therefore, although it is recognised that the fact that Mar Ibérica has been a provider of Jerónimo Martins in Portugal has helped, since Biedronka could ask for some references, the partnership was costly to the firm. For three years there were made many visits, sent many samples and organised product tasting. Nevertheless, ever *interaction* with Biedronka increase the awareness of Mar Ibérica to polish market knowledge.

The *visits* to Poland during which the firm contacted polish Biedronka employees allowed the firm to acquire and assimilate relevant knowledge about the polish market preferences.

Recognising Jerónimo Martins Portugal as a different actor as Biedronka (category – *awareness of all actors*) was indispensable to obtain the partnership, but it is also crucial to be aware of the potential of the experience and the knowledge shared with Biedronka.

During the two interviews, it was also observed that the firm acknowledged the value to the experience and knowledge shared with Jerónimo Martins since they recognised that some of this knowledge is the key for their successful (category – *recognition of knowledge value*). As an example Martinho Silva denote “*who has achieved the dimension that the Jerónimo Martins achieved hear in Portugal as international, of course it has good performs that will also be interesting for us to learn*”.

The *learning intent* of the company as indicated by Martinho Silva, during the interview: “*we are always willing to learn*” was also recognised.

The interviewees also recognise the *diversity of experience* as a facilitator to enter a new market as it provides knowledge and experience on internalisation, making the company more aware of what is needed in order to internationalise.

Even though the establishment of the partnership resource was costly, the analysis of the interviews concluded that the potential absorptive capacity of the exposed knowledge and experience provided by Biedronka during this process was high. Through the collaboration, Mar Ibérica was able to acquire and assimilate the experience and knowledge transfer from Biedronka.

As has been noted, with the analysis of the interviews, it was possible to identify six factors that increased the awareness of Mar Ibérica to the knowledge and experience shared with Biedronka. These factors, denominated as activation triggers, enables the firm to achieve potential absorptive capacity, which are: *interaction*; *visits*; awareness of Biedronka as an independent actor from Jerónimo Martins Portugal; *recognition of the knowledge and experience value*; *learning intent*; and *diversity of experience* (Figure 4).

Furthermore, it is also observed that social integration mechanism which facilitates the information sharing, transformation and exploitation of knowledge. *Interaction*; regular visits to Poland; *same culture* between partners; *recognition of knowledge value*; the *interaction within the firm* which facilitates the information sharing; and the *leadership commitment* to this partnership is the mechanism that provided Mar Ibérica with the capacity to realise the absorptive capacity. The pre-existing knowledge that has to be replaced with new ones (category – *dismiss old knowledge*) is also a social integration mechanism but with a negative effect (inhibitor) on the achievement of the realised absorptive capacity (Figure 4).

The categories *interaction*, *visits* and *recognition of knowledge value* are common to social integration mechanism and activation triggers since they have the ability to increase the awareness of the firm's knowledge and facilitates information sharing, assimilation and transformation. Nevertheless, there are different impacts on the potential absorptive capacity and absorptive capacity is realised.

The “3 years of investment in visits, resources, samples that were sent, product tasting, (...) every other items really contributed to obtaining what we have achieved”, as pointed out by Martinho Silva every *interaction* was important in building the relationship, helping information sharing and also transform and exploit the value knowledge and experience that will create a competitive advantage.

Business *visits* are also an important social integration mechanism as it provides a higher proximity to the source of the knowledge, which facilitates the transformation and exploitation of it. As an example of the importance of visits to obtain realised absorptive capacity José Fernandes noted that “we could, through them [during business visits] make a product tasting in a Portuguese restaurant there, select the products that could fit to the polish habits, which are different from ours”.

During the interviews it was possible to identify a new category (category – *same culture*) which facilitated the understanding and use of the knowledge transfer by Mar Ibérica. As indicated by the interviewers, although Biedronka is a polish company it is embedded in Portuguese culture, which facilitates the sharing of information between parties.

Acknowledging the information and experience shared with Biedronka (category – *recognition of knowledge value*) was crucial for Mar Ibérica to obtain realised absorptive capacity, since it increased the capacity of the firm to transform and exploit the knowledge transfer.

To achieve the realised absorptive capacity, the *interaction within the firm* is relevant to the dissemination of the knowledge acquired and assimilates facilitating the transformation and exploitation of it. José Fernandes refer that regularly they gathered a group of employees from different areas to discuss the firm's procedures in order to improve.

Finally, it is also recognised that *leadership commitment* of Mar Ibérica to the success of this partnership and therefore to the knowledge and experience provided by it is also recognised.

José Fernandes connotes that the exploitation of the knowledge transfer from this partnership was not always easy, "*it was costly and it demanded the creation of procedures that many people did not find important*". The category *dismiss old knowledge*, on the contrary to others, has a negative effect (inhibitor) on the realised absorptive capacity of Mar Ibérica.

Meanwhile, the results indicate that the process of absorptive capacity was facilitated because Biedronka, although a polish company, owned by the Portuguese group Jerónimo Martins, which facilitated the partnership and diminish the *psychic distance* between partners.

With the interviews it is very clear that the firm was able to absorb value knowledge about the taste of Polish consumers – *foreign institutional knowledge* –, the competitive structure of the market and price rage – *foreign business knowledge* – and key knowledge about how to do business in Poland – *internationalisation knowledge*. This knowledge represents a competitive advantage as it provided the firm with the knowledge and ability to answer more efficiently to the polish market. From the knowledge and experience gathered from collaborating with Biedronka, Mar Ibérica was able to select the best suitable product to satisfy the polish market and how to do it efficiently, which helped Mar Ibérica to establish a new partnership in Poland.

However, it is important to denote that, even though the partnership with Biedronka helped Mar Ibérica to absorb and exploit relevant knowledge which facilitated the establishment of a new partnership, the new partnership had its challenges.

However, to be a sustainable competitive advantage the company has to prevent competitive spill-overs, which are prevented because the type of knowledge acquired is difficult to share and observe without experience.

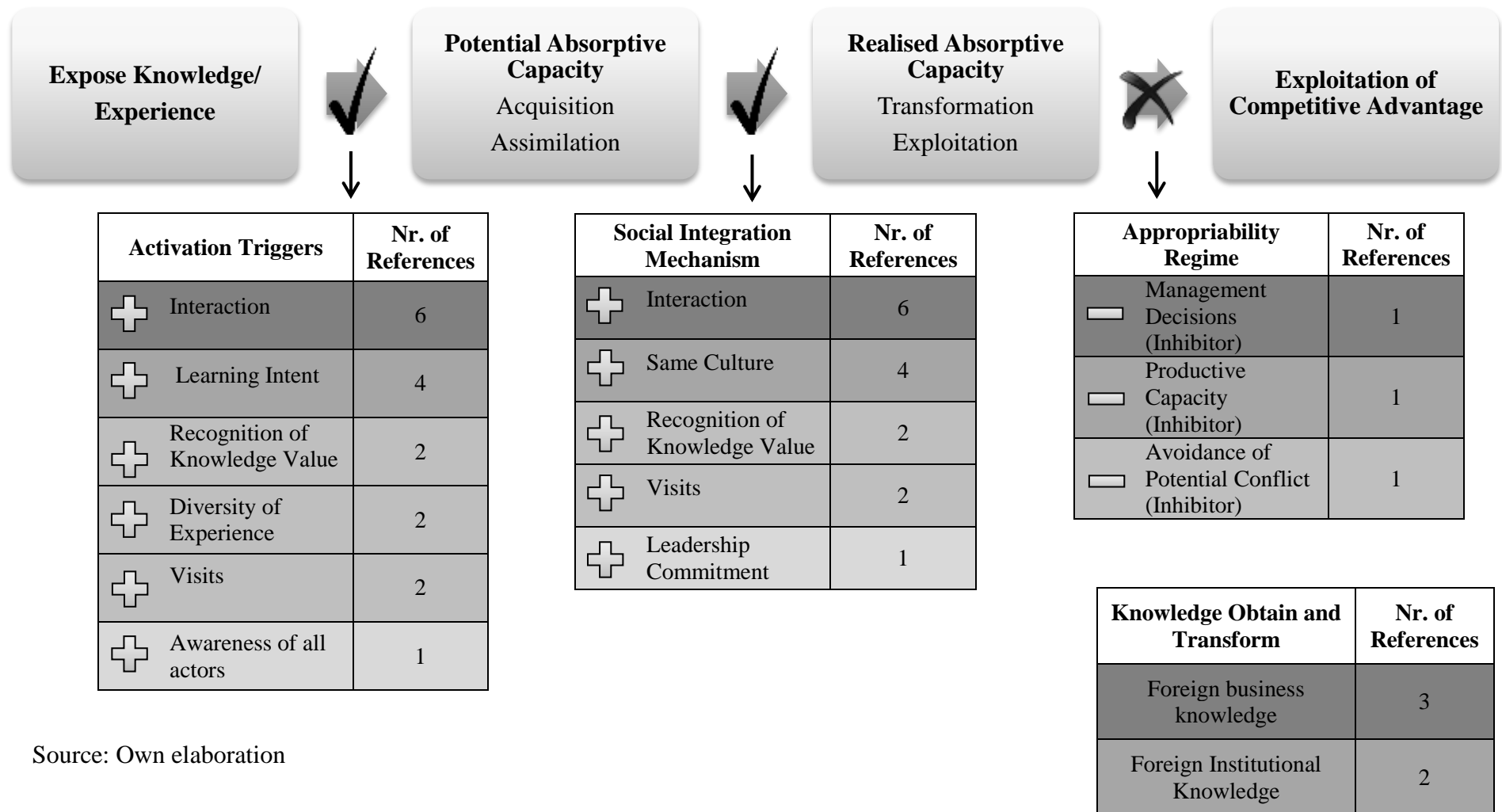
Additionally, although not referred in the findings of Mar Ibérica as, in this particular case it does not have a direct effect, however, it is important to denoted that the size of Biedronka may constitute a barrier to the establishment of new partnerships in Poland. As indicated by Martinho Silva, and although they have other partner in Poland, they are not actively looking for new partnerships in this country as “*Biedronka being the major player of the sector with the objective to reach 3000 stores, which I believe is not far from reach. If we attain to retain [Biedronka] as a loyal client we do not need to establish other partnerships*”.

4.3. HERDADE VALE DA ROSA – FINDINGS AND DISCUSSION

Herdade Vale da Rosa was able to transform the exposed knowledge and the experience with Jerónimo Martins Portugal and Biedronka into a competitive advantage (Figure 5). The results of the interview analysis identified as activation triggers: *interaction, learning intent, recognition of knowledge values, diversity of experience* and *visits*. All categories identified as activation triggers had a positive effect for Herdade Vale da Rosa acquire and assimilate the knowledge exposed through collaboration with Jerónimo Martins Portugal and Biedronka. To achieve the next step of the absorptive capacity process, realised absorptive capacity, *interaction, recognition of knowledge value, same culture, visits* and *leadership commitment* were the categories identified from data analysis that work as social integration mechanism, facilitating the transformation and exploitation of knowledge. It is also observed that the firm was able to build a competitive advantage from the expose knowledge and experience, still not

establishing new partnerships in Poland for *management decisions, productive capacity* and *avoidance of potential conflict* reasons.

Figure 5: Absorptive Capacity Process of Herdade Vale da Rosa



Source: Own elaboration

Via the analysis of the interview it was identified that the *interaction* with the costumer is the most important trigger to obtain knowledge and assimilate it, since the relation of almost 14 years with Jerónimo Martins, the constant feedback and the knowledge of the costumer desires provided an easier process of internationalisation to Poland and a more confident and greater commitment relationship with Biedronka. The confidence and commitment between these two parties is only possible due to the long lasting relationship with Jerónimo Martins. And, although is a result of the *interaction*, it is also a source. As mentioned by Ricardo Gomes “*if the client is good, and by good I mean not only the primary part that is paying the product, but if he knows how to talk to us, if he is demanding on quality and procedures, we will start shaping to our customers and consequently we are also improving*”. The *interaction* will ease the knowledge transfer since it provides the firm contact with the knowledge.

Learning intent is also a preponderant activation trigger. During the interview, for more than once, Ricardo Gomes phrases the importance of learning with its partner to do better every day. The *learning intent* of the firm will result in a higher awareness to knowledge resulting in the acquisition and assimilation of it.

Other issue rather important and requisite to acquisition and assimilation of knowledge is the *recognition of knowledge value*. As indicated during the interview every demand, feedback and experience obtained from the partner is highly considered and it is used to the advantage of the firm.

The *diversity of experience* in internationalisation is also mentioned as a factor that facilitates the potential absorptive capacity since “*it is a door open to other markets*” Ricardo Gomes.

The business *visits* were also important in the acquisition and assimilation of specific polish market knowledge.

On the other hand, although not mention as frequently as the other activation triggers already specified, *awareness of all actors* is crucial in this specific case to recognise value of the knowledge and experience obtained with Biedronka. If the firm Herdade Vale da Rosa did not recognised Biedronka as an independent actor from

Jerónimo Martins Portugal would be harder to be aware of the knowledge and experience that could be obtained from Biedronka about the polish market.

To conclude, six activation triggers were identified – *interaction*, *learning intent*, *recognition of knowledge value*, *diversity of experience*, *visits* and *awareness of all actors* – that were deterministic to Herdade Vale da Rosa obtain potential absorptive capacity (Figure 5).

To achieve the realised absorptive capacity, the next step of the absorptive capacity, the following social integration mechanisms that enable the information sharing, transformation and exploitation of the exposed knowledge were identified: *interaction*; *same culture*; *recognition of knowledge value*; *visits* and *leadership commitment* (Figure 5).

The constant *interaction* with Biedronka helped Herdade Vale da Rosa to understand how the Polish market is organised and the preferences of polish consumers.

It is also indicated several times the fact that knowing the “*protagonists of commercialisation*” that the Portuguese facilitates the on-going business with Biedronka. The comments made about this particular aspect lead to believe that since the decision makers of Biedronka have the *same culture* as the Herdade Vale da Rosa, the knowledge is easier to transfer. Not only the *same culture* between the decision makers of the two firms is facilitator to obtain realised absorptive capacity, but also makes the interaction and understanding between the two companies easier.

Other important category with a positive effect in the transformation and exploitation of the exposed knowledge through collaboration is the *recognition of knowledge value*. Ricardo Gomes acknowledge the collaboration with Biedronka as “*an important window of opportunities*”.

The *visits* were equally important to transform and exploit the knowledge.

In addition, the *leadership commitment* had also a positive impact on Herdade Vale da Rosa to achieve the realised absorptive capacity.

Furthermore, it was conceivable to identify through the interviews that *foreign business knowledge* and *foreign institutional knowledge* were the type of knowledge most transformed and exploited.

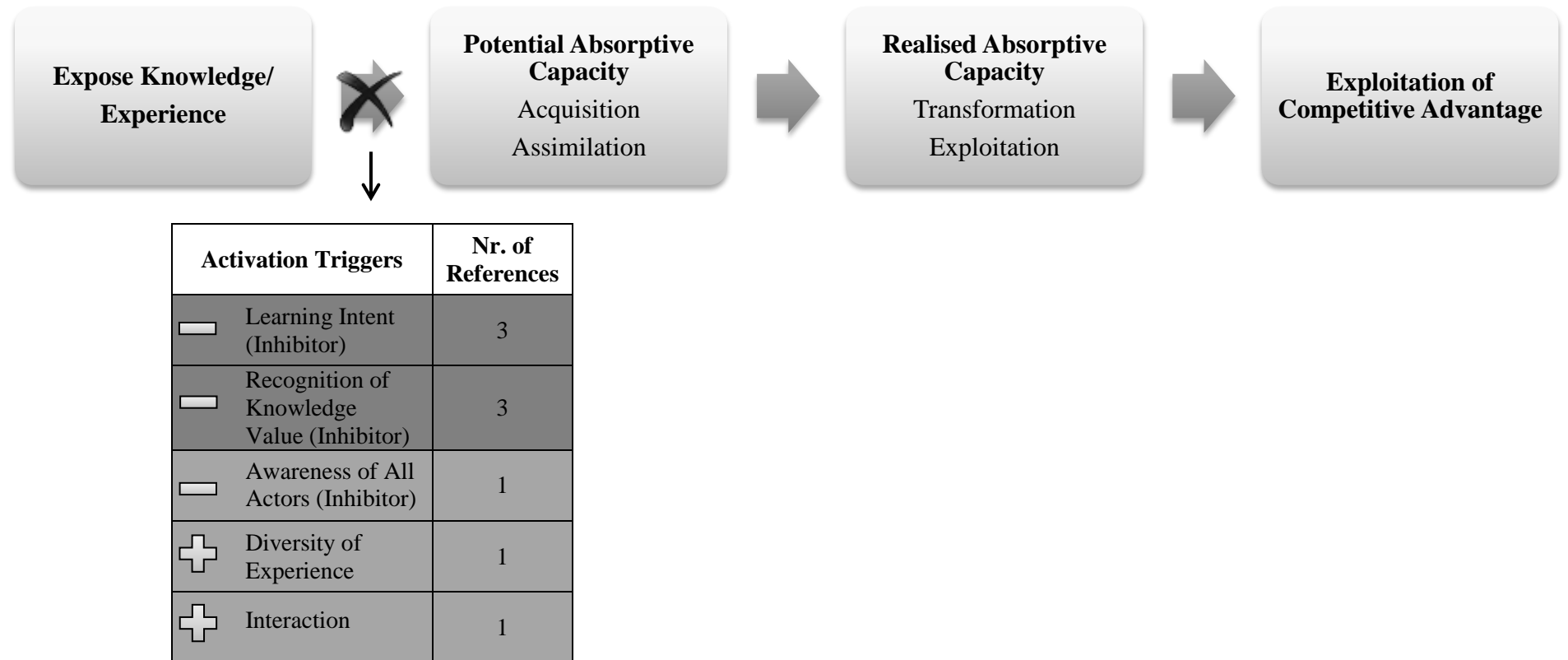
Regardless, the well realised absorptive capacity of Herdade Vale da Rosa is not yet exploited by the firm. As indicated by Ricardo Gomes, other possible partnerships in the polish market were not yet explored until now because of *management decisions* (inhibitor) and limitations on the *productive capacity* (inhibitor). Similarly, it is also important to mention that the interviewee, when asked about the possibility to realise a new partnership in Poland, manifested that in this possible event the firm will first speak to Biedronka which demonstrates the desire to *avoid potential conflicts* (inhibitor).

Moreover, Ricardo Gomes also phrases that although a new partnership would be easier because of the foreign business knowledge and foreign institutional knowledge obtained with the Biedronka partnership, it will be difficult since the new client would have a different culture, and it would not have confidence between the two parties, not at least on the firsts deliveries giving the impression that Biedronka is an intermediate step to internationalisation to Poland, although, Biedronka is an independent actor from Jerónimo Martins Portugal and a Polish company embedded in Portuguese culture. Therefore, though the experience and knowledge absorbed through the collaboration with Biedronka is valuable, it is not totally applied in new partnerships. Additionally, it is also denoted that the risk and costs associated to the internationalisation process decrease because of the link between Jerónimo Martins Portugal and Biedronka.

4.4. ABRUNHOESTE – FINDINGS AND DISCUSSION

The results of Abrunhoeste indicate that the company has not been able to transform the knowledge exposed through the partnership with Jerónimo Martins Portugal and later with Biedronka in competitive advantage. The process is initially interrupted the first stage. Abrunhoeste was not able to achieve potential absorptive capacity (Figure 6).

Figure 6: Absorptive Capacity Process of Abrunhoeste



Source: Owen elaboration

Nuno Gouveia denoted that “*there are always little nuances that change from client to client and we took full advantage of in this process, but there aren’t many differences in terms of work from client to client*”. It was indicated that the intent to learn with every client, the client assumes that there aren’t many differences in clients, which will prevent the assimilation of new knowledge.

However Abrunhoeste has supplied to Biedronka for more than one time, Nuno Gouveia does not consider Biedronka as one of their clients. Nuno Gouveia explains, during the interview, that they had sent some orders to Biedronka but considered these orders as part of the on-going business with Jerónimo Martins Portugal. Due to this unawareness of Biedronka as a new partner, Abrunhoeste was never able to acquire and assimilate the experience and knowledge of working in the Polish market. This category has a negative effect.

Furthermore, the firm does not value the knowledge and experience provide by Biedronka in that Nuno Gouveia affirms that “*we are selling fruits or is packed one way or it is packed in another (...) there are no major adjustments to make*” This phrase is a compelling evidence not only of the lack of *recognition of knowledge value* (inhibitor) but also the absence of *learning intent* (inhibitor).

Nuno Gouveia suggests regarding the *diversity of experience* as such “*of course it helps. The ones who have the know-how of exportation always find it easier to get into another export market*”. This category has a positive effect in acquisition and assimilation of knowledge, alongside *interaction*. Although there is undeniable *interaction* between provider customers over the 6 years of partnership, it is still relatively low.

Though *diversity of experience* and *interaction* are encouraging activation triggers, the coerce effect of *learning intent*, *recognition of knowledge value* and *awareness of all actors* is stronger (Figure 6).

As has been noted Abrunhoeste, cannot achieve the potential absorptive capacity because of the unawareness of Biedronka as a distinct actor from Jerónimo Martins Portugal and the lack of value that attribute to knowledge and the absence of learning

intent. The process to obtain absorptive capacity is prematurely interrupted on the first phase.

4.5. SCIENCE4YOU – FINDINGS AND DISCUSSION

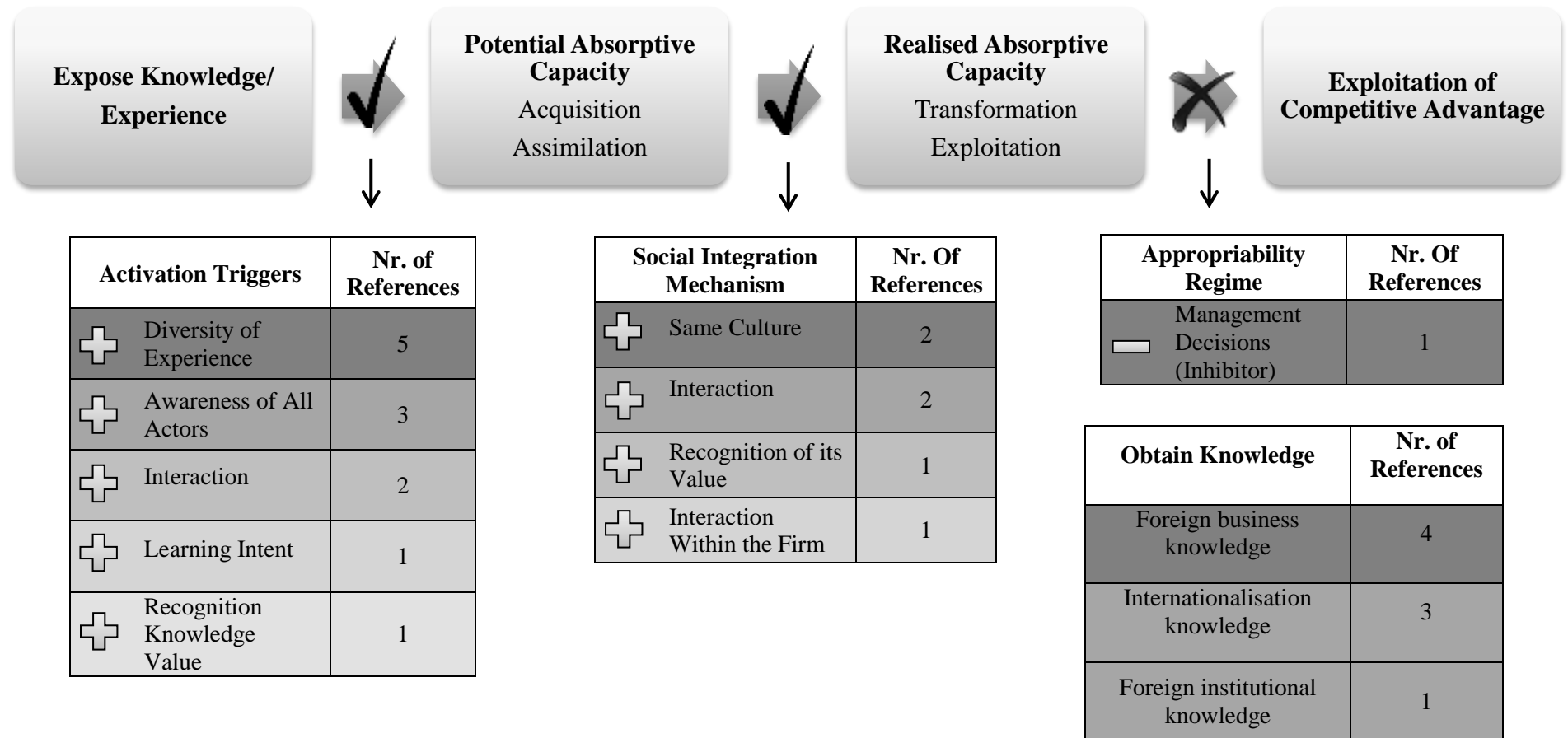
The results obtained from the analysis of the data collected indicated that Science4you has a high absorptive capacity since it recognises the specific market knowledge obtain through collaboration with Jerónimo Martins Portugal and Biedronka, resulting in the achievement of a competitive advantage.

The process of absorptive capacity started with the activation triggers that encourage the firm to obtain potential absorptive capacity – *diversity of experience, awareness of all actors, interaction, learning intent and recognition of knowledge value* (Figure 7).

The results demonstrated that in order to achieve the next step of the process the categories *same culture, interaction, recognition of knowledge value and interaction within the firm* worked as social integration mechanism (Figure 7).

Despite the absorptive capacity of Science4You, the firm has not used the obtained knowledge in the pursuit of new partnership as a result of *management decisions*.

Figure 7: Absorptive Capacity Process of Science4you



Source: Own elaboration

The opportunity to work with Biedronka was presented by Jerónimo Martins as denoted by Tiago Alves: Jerónimo Martins “*with who Science4you have been collaborating, had a fundamental part to the establishment of the contact with Biedronka*”. As a request from Science4you, the Jerónimo Martins “*got us in contact with the country manager of Poland. In the meantime, he made contact and then introduced us to the non-food brand managers of Biedronka*”, as explained by Tiago Alves.

Science4you was able to acquire and assimilate the experience and knowledge transfer from Biedronka, successfully obtaining potential absorptive capacity. This achievement contributed to the following activation triggers: *diversity of experience; awareness of all actors; interaction; learning intent; and recognition of knowledge value* (Figure 7).

Tiago Alves mention “*as a result [of the diversity of the international experience], we concluded that we were more prepared to face the questions and situations that are asked: in terms of competition, in terms of type of product that the competition puts on the market or in terms of pricing*”. That *diversity of international experience* helped in understanding which knowledge is important in new markets facilitating the integration of it.

The partnership with Biedronka was established because of Jerónimo Martins, Tiago Alves, when explaining the assistance of Jerónimo Martins at the beginning of the partnership immediately clarified that “*the negotiation is completely different. That is, although it belongs to the same [business] group, Pingo Doce is a company and Biedronka is a totally different company*”. Therefore, Tiago Alves is *aware of all actors* during this collaboration.

During the negotiation, there were many *interactions* with Biedronka “*samples were sent, discussions of prices took place, quantities, delivery dates were confirmed*” as Tiago Alves mentioned. As always, integration was important in order to understand the needs of Biedronka, but also what products would have more receptivity and understand how the market was organised.

In addition, the activation trigger *learning intent* was also observed. As an example of this category, Tiago Alves mentions that when the contact to Biedronka was made it “*triggered our need to want to get to know the Polish market better and see the competitors we know from Portugal, Spain and England, that we are already accustomed to: firstly, if they were present in Poland; if they were market leaders or not; and what kind of products they offered*”.

The capacity to acknowledge the value of the knowledge and experience shared with Biedronka was equally important to accomplish the potential absorptive capacity. Tiago Alves recognised the importance of the knowledge shared and remarked that “*the question remains if there is anything that we forgot or did not realise, that it will be realised in time*”, acknowledging that some knowledge may not be assimilate because, at the time, its value is overlooked.

Furthermore, Science4you attained realised absorptive capacity since it was capable of transforming and exploiting the knowledge shared by the Biedronka. It is observed that *same culture, interaction, recognition of knowledge value and interaction within the firm* acted as social integration mechanism contributing positively to achieve the realised absorptive capacity (Figure 7).

Although Science4You acknowledged Biedronka as a completely different and difficult client to establish, Tiago Alves pointed out that a new polish client “*we will not have such an easy means of communication*”. Although Biedronka is a Polish firm it is mention, by the interviewer as one which has a Portuguese culture – *same culture*. Tiago Alves explained that the “*negotiation and presentation*” to Biedronka was “*as hard and demanding as it would be with any other Portuguese supplier*”. Comparing Biedronka to a Portuguese supplier, Tiago Alves is acknowledging that although the negotiation was hard, it took place without the cultural barriers that are common in internationalisation.

The *interaction* between the two parties is also important to obtain the realised absorptive capacity. The interaction allows the Science4you to have regular contact with the source of the information contributing to an easier use of the knowledge assimilated.

Likewise, Science4you recognised that the value of the knowledge is also a crucial social integration mechanism. Tiago Alves, when asked if the establishment of a new partnership in Poland would be easier to achieve after the relation with Biedronka, he responded *“yes, undoubtedly. Mostly because of all this market knowledge we have gained which I just spoke about”*.

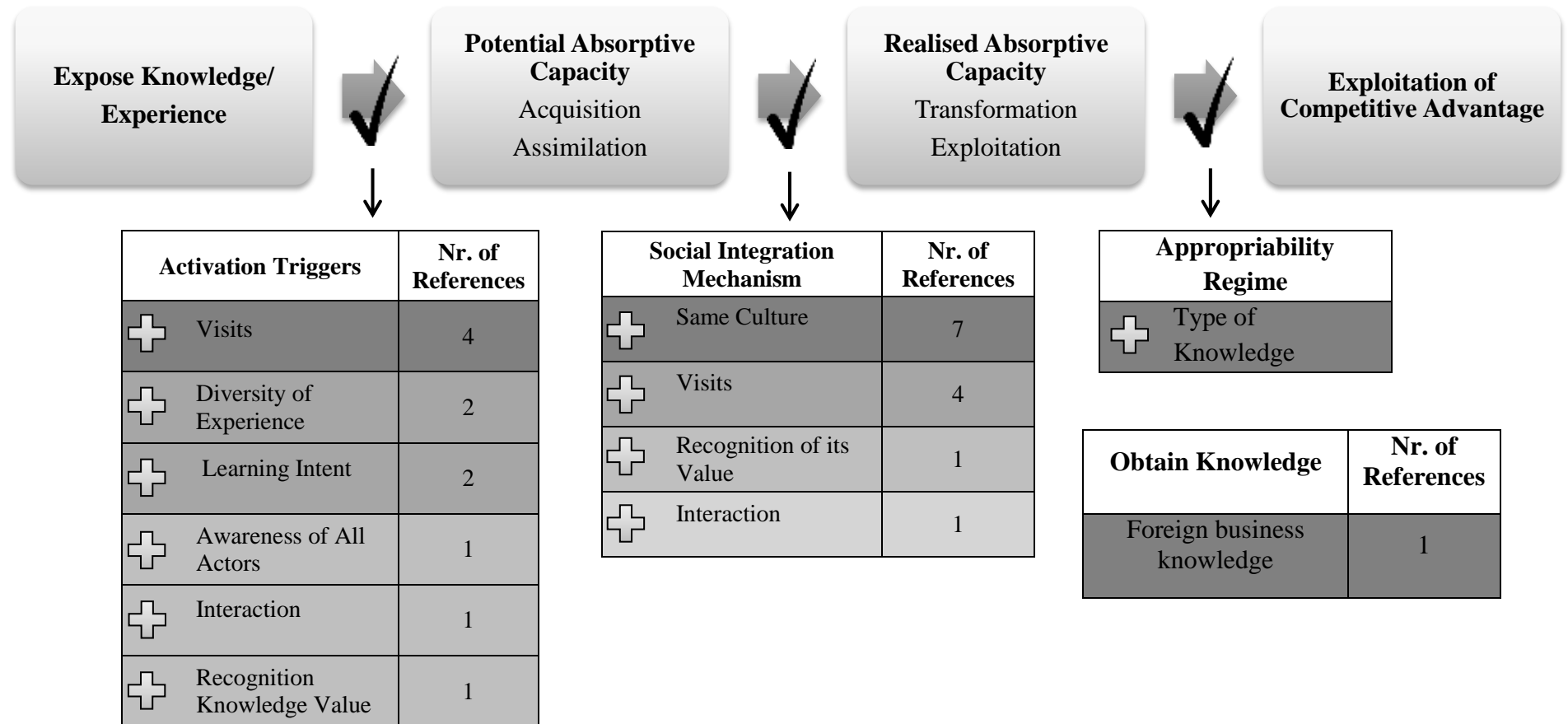
As denoted by Tiago Alves *“knowledge, whether it is of internationalisation or of other party, ends up in the department”* and *“in the end, the people [from the department] turn out to be the ones that gathered this knowledge and ensured its transmission to the people who work daily with it, and to the new people entering the department, who receive such training of how was sold, how it works, how we are going to do it”* with the ultimate purpose of *“ensuring that subsequent sales incorporates this knowledge”*. This *interaction within the firm* it is key to increase the transformation and exploitation of the knowledge share.

As has been noted, Science4you was able to achieve the realised absorptive capacity. During the interview, Tiago Alves demonstrated that much market knowledge was obtained and this experience contributed to develop a competitive advantage in that market. Even though Science4you did not establish a new partnership in the polish market the necessary tools and knowledge to create a new partnership was absorbed. Tiago Alves when asked if the experience to work with Biedronka will help to make and work with a new Polish client, he answered: *“yes, undoubtedly. Firstly, because of all this market knowledge we have gained”* and secondly, because of the *“lesson learnt”*. *“The next client will be easier because we already have Polish product, knowledge, and because we are better prepared logistically”*. Therefore, new partnerships were not established because of *management decisions* (inhibitor), as at the moment the Science4you is focused on other markets (Figure 7). Nevertheless, a new partnership will not be as easy as this one because *“we will not have such easy means of communication, we will not have a seal of recommendation as we had from Jerónimo Martins in Portugal. It will be difficult anyway”*.

4.6. XARÃO – FINDINGS AND DISCUSSION

The results demonstrated that Xarão is able to acquire, assimilate, transform and exploit the experience and knowledge exposure through the collaboration with Biedronka and Jerónimo Martins Portugal into a competitive advantage (Figure 8).

Figure 8: Absorptive Capacity Process of Xarão



Source: Own elaboration

Xarão has been a provider of Jerónimo Martins Portugal, more specifically Recheio Cash & Carry for over more than 20 years. This long-term relationship allowed Xarão to become one of the providers selected to the Portuguese fairs by Biedronka. As denoted by Hugo Monteiro, the product sold by Xarão in Poland is “*very specific*” since it is a very traditional product in Portugal but unknown to most foreign countries. Therefore, Hugo Monteiro considered that the internationalisation process of Xarão “*starts below zero*”.

“Because we have to create curiosity in people to get them to know our product (...) whether it is a pear, a toy, or is milk, etc., that they are products that people consume here as in Poland, just like any other country in the world. Portuguese liquors, for instance, we’d first have to promote it to then get the interest in them from prospective consumers of that product”

Hugo Monteiro (personal communication, 2014)

Under those circumstances, the objective of the collaboration with Biedronka was not about how to adapt the firm’s product to the Polish reality but instead use Biedronka as a “*shop window*”. As explain by Hugo Monteiro “*Biedronka has an exhibition of 2000 or such stores in Poland (...) thousands of costumers enter the stores and see the almond liquors*”. Hugo Monteiro also denoted that “an agent does not have this coverage”.

Regardless of the singularities of the product sold by Xarão, it is observed that the experience and the expose knowledge through collaborating with Biedronka is acquired, assimilate, transform and exploit, thus resulting in a competitive advantage in the Polish market. The results showed that the process of absorptive capacity was similar to other firms in study with the difference of the relevance of the categories.

The results (Figure 8) indicate that *visits, diversity of experience, learning intent, awareness of all actors, interaction and recognition of knowledge value* helped the firm to reach the first step of the absorptive capacity process.

The activation trigger identified as the more relevant to encourage the firm to achieve the potential absorptive capacity is *visits*. Hugo Monteiro bestows that “*the follow up can be done by e-mail, or by phone, but the business deal has to be made in person*”.

The *diversity of experience* also had a positive and relevant effect on the acquisition and assimilation of the experience and exposed knowledge through collaboration. According to Hugo Monteiro, the “*experience is always good*” considering that “*the more experience we have the easier it is to deal with (...) new markets, new bureaucracies, new cultures*”. The *diversity of experience*, as denoted by Hugo Monteiro, smooth the internationalisation process to new markets as the firm is more prepare to understand new circumstances and acquire and assimilate the experience and knowledge expose.

Additionally, the category *learning intent* is also observed as an encouragement of the potential absorptive capacity. Xarão “*seeks always to be at the forefront of the supply both at product level and service level*”.

Other important activation trigger perceived from data analysis is *awareness of all actors*. Hugo Monteiro explained that although Jerónimo Martins Portugal indicates possible providers to the Portuguese products fairs in Biedronka “*who decides the fair’s products is Biedronka*”.

Equally important to achieve the first stage to accomplish the transformation of the experience and knowledge exposed through collaboration into a competitive advantage is *interaction* and *recognition of knowledge value*. The results showed that these two categories were least referred to by Hugo Monteiro and *interaction* and *recognition of knowledge value* were decisive to leverage the potential absorptive capacity of Xarão.

The results also showed that Xarão was able to reach realised absorptive capacity, the second stage of the absorptive capacity (Figure 8). It was identified as social integration mechanism the categories: *same culture*; *visits*; *recognition of knowledge value*; and *interaction*.

Same culture was the most relevant social integration mechanism identified. As stated by Hugo Monteiro “*if the [Biedronka] administration was Polish, we improbably would have a Portuguese fair in Biedronka stores*”. Furthermore, Hugo Monteiro suggested that Biedronka is closer than other foreign clients, considering Biedronka as “*a very close player*”. As a result, Hugo Monteiro considers that it is easier to work with Biedronka than with other foreign clients, suggesting that “*we feel more confident doing the work because there is a geographical proximity*” and therefore easier to solve “*small stones in the gear*”. These affirmations suggest that working with Biedronka is not as challenging and risky as working with other polish companies as the *psychic distance* between partners is lower.

Hugo Monteiro denoted that most of the times *visits* are precondition to a business deal. As referred by Hugo Monteiro “*many times contacts are made, but there is no deal (...) then the same individual appears in person, the two parties then get to know one another and create some empathy which then inevitably starts to open doors*”. As stated by Hugo Monteiro the *visits* open a door to new opportunities as the consequence of the growth of empathy between partners. The *visits* allows for an in person interaction with the source of the knowledge, leveraging the understanding, transformation and exploitation of knowledge itself. Furthermore, the *recognition of knowledge* value is vital to achieve the realised absorptive capacity since the transformation and exploitation of past experience and exposed knowledge would not be possible without this social integration mechanism.

Interaction is also a key social integration mechanism as it allows Xarão to have more contact with the source of the knowledge, therefore, contributing to a more efficient transformation and exploitation of knowledge.

To conclude, Xarão is capable of acquiring, assimilating, transforming and exploiting the experience and knowledge exposed through the partnership with Biedronka. Although, the collaboration with Biedronka did not help in adapting the firm’s product to the Polish customer’s tastes, as it had in other cases analysed, the collaboration was very rewarding since it was a window of opportunity to internationalise to Poland, a very efficient exhibition of the product and a source of experiences of how to do business in Poland, which helped with the establishment of a new partnership in Poland.

4.7. RESEARCH FINDINGS AND DISCUSSION

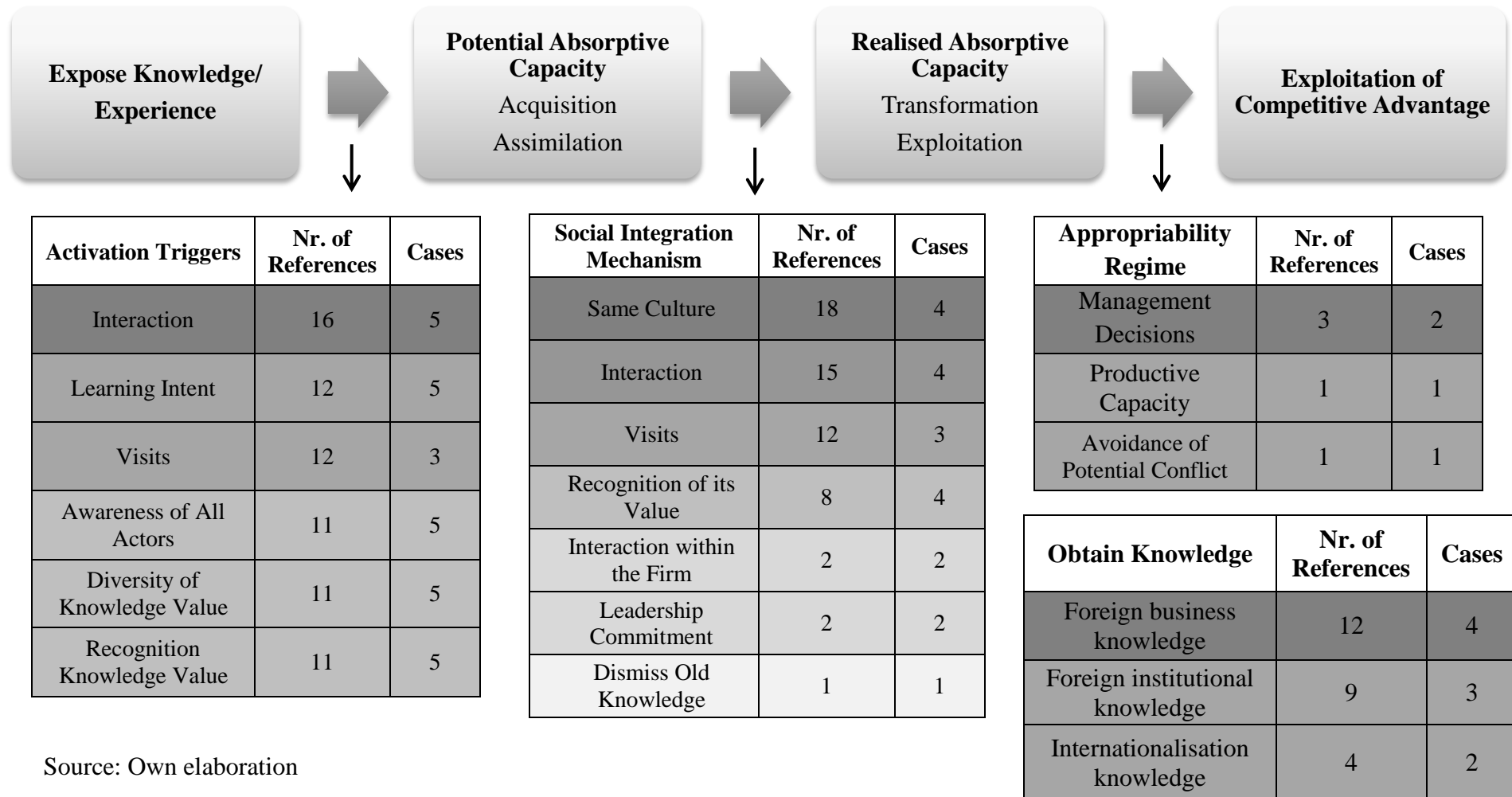
In order to guide the empirical research the absorptive capacity process was used. Each step of this process will now be addressed, exploiting information gained from analysis of the five case companies.

The figure 9 illustrates the results of the qualitative data analysis. In every stage of the absorptive capacity process events are identified that encourage or firmly compel to accomplish the next step. The categories are sorted by relevance to achieve the next stage, measured by the number of references for each category. Additionally, in the column “cases” the numbers of cases are identified that show evidence for the category on their individual absorptive capacity process.

Only two of the five cases analysed did reach the last stage of the absorptive capacity process, building a new collaboration with local partners. Four firms were capable of transforming and exploiting the experience and knowledge exposure through collaboration with Jerónimo Martins Portugal and Biedronka reaching the realised absorptive capacity stage. Nevertheless, only two firms were reached the last stage of the process, therefore being capable to use the obtained knowledge in the pursuit of new Polish partnerships. One of the firms has not reached the first step of the process in study since it was not able to acquire and assimilate knowledge.

The results of the qualitative data analysis identified *interaction*, *learning intent*, *visits*, *awareness of all actors*, *diversity of experiences* and *recognition of knowledge value* as activation triggers. Additionally, the results demonstrated that *same culture*, *interaction*, *visits*, *recognition of knowledge value*, *interaction within the firm*, *leadership commitment* and *dismissing old knowledge*, helped the accomplishment of the realised absorptive capacity stage. The accomplishment of the last stage of the absorptive capacity process is influenced by *management decisions*, *productive capacity* and *avoidance of potential conflicts* of the firm.

Figure 9: Absorptive Capacity Process



Source: Own elaboration

4.6.1. POTENTIAL ABSORPTIVE CAPACITY

Potential absorptive capacity is the first stage of the absorptive capacity process and bestows firms receptive to acquisition and assimilation of external knowledge. The potential absorptive capacity aids firms to sustain competitive advantages in complex and dynamic environments, since it provides firms with strategic flexibility and freedom to adapt and innovate (Zahra and George 2002).

Nevertheless, according to Cohen and Levinthal (1990), the firm interaction with its external environment alone does not explain the firm's capability to recognise, assimilate and apply the knowledge to commercial ends. Henceforth, the exposure to knowledge is not a warranty of firm's higher levels of absorptive capacity (Matusik 2000).

The results of this study indicate that, for a firm to develop potential absorptive capacity, there are activation triggers that moderate the impact of external knowledge on the firm's capability to acquire and assimilate this knowledge (Zahra and George 2002). From qualitative data analysis the following activation triggers were identified: *interaction; learning intent; visits; awareness of all actors; diversity of experiences; and recognition of knowledge value.*

As stated by Liu (2009) *interaction* is an important boost of knowledge transfer. The cases show that *interaction* with a specific partner encourage acquisition and assimilation of the exposed knowledge, in addition to facilitate trust being built between partners (Khamseh and Jolly 2008).

The predisposition of a firm to learn from past experiences and through collaborations is a decisive factor to attain potential absorptive capacity. *Learning intent* can encourage or compel firms to acquire and assimilate knowledge (Hamel 1991). Four of the firms studied demonstrate determination to learn through the partnership with Jerónimo Martins Portugal and later with Biedronka, boosting the achievement of potential absorptive capacity. On the contrary, one of the firms demonstrated no predisposition for learning from collaboration, which had a negative effect on potential absorptive capacity.

The business *visits* to the site of the valuable knowledge, as acknowledged by Inkpen (2008), has a positive effect in acquiring and assimilating knowledge, since it helps to understand Biedronka's way of doing business in Poland. Moreover, Inkpen (2008) considers that some valuable knowledge cannot transfer without face-to-face interaction.

Emerging from qualitative data analysis the category *awareness of all actors* is a relevant activation trigger for acquisition and assimilation of knowledge. The awareness of Biedronka as an independent actor from Jerónimo Martins Portugal results as such; firstly, on the ability of firms to identify Biedronka as an opportunity to internationalise to Poland; and secondly, the firms to value the experience and knowledge transfer during the on-going business with Biedronka as new valuable knowledge. Although in the same network and linked, Biedronka is independent from Jerónimo Martins Portugal. Notably, the firms who understood the network in which they are entangled will be more alert to foreign market opportunities, as explained by Coviello and Munro (1995) and Johanson and Vahlne (2009).

The past and diversity of international experience encourages the achievement of potential absorptive capacity. As indicated by the interviewees, the *diversity of international experience* prepare the firm for the challenges of new foreign countries, lowering the perceived risk of the internationalisation process (Eriksson and Chetty 2003). Therefore, *diversity of experience* helps firms to better understand which knowledge may be relevant to efficiently execute their current businesses, easing the process of acquiring and assimilating knowledge.

Recognition of knowledge value is a precondition to knowledge acquisition and assimilation. Therefore without the acknowledgment of knowledge value the firm will not acquire and assimilate it.

Only four of the five cases analysed were capable to attain the potential absorptive capacity stage. The results indicate that the activation triggers learn intent, recognition of knowledge value and awareness of all actors inhibit the firm to achieve the potential absorptive capacity stage. Therefore, it suggests that the firm did not detain entrepreneurial alertness to drive the opportunity identification process (Gaglio and

Katz 2001). According to Gaglio and Katz (2001), non-alert entrepreneurs fail to identify and create “to identify or create entrepreneurial opportunities because they misjudge their market environment and the kind of behaviour demanded by the moment” (p. 98).

4.6.2. REALISED ABSORPTIVE CAPACITY

To achieve the second stage of the absorptive capacity – realised absorptive capacity – firms must encompass the ability to transform and exploit the knowledge earlier acquired and assimilated. The social integration mechanisms facilitate the knowledge sharing necessary to increase the efficiency of knowledge transformation and exploitation (Zahra and George 2002).

From the five cases studied the following social integration mechanisms were identified: *same culture*; *interaction*; *visits*; *recognition of knowledge value*; *interaction within the firm*; *leadership commitment*; and *dismissing old knowledge*.

As indicated by Inkpen (2008), when the knowledge is embedded in a specific culture, such as Polish culture, its transfer becomes more difficult and costly to the firm. Nevertheless, the cases showed that all four firms, who reached the absorptive capacity stage, acknowledged that it was easier working with Biedronka than working with other new foreign partner would be. Due to the fact that it was easier to understand Biedronka’s needs, their way of doing business and solving problems was more easily managed. Being part of the *same culture* enables both parties to have a better understanding, which facilitates the transformation and exploitation of knowledge.

The *interaction* between partners also has a positive effect on transformation and exploitation of external knowledge. As explained by Inkpen (2008) the value attributed to knowledge is associated with its potential use in the pursuit of new commercial ends. Nevertheless, sometimes firms may not acknowledge how acquired knowledge can be used in the future, therefore discouraging the firm to attain the realised absorptive capacity stage.

Business *visits* boost realised absorptive capacity as they provide a direct interaction with the source of knowledge and increase the empathy between parties, which has a positive effect on knowledge sharing.

After the knowledge is transferred its dissemination is also important. The knowledge that has been transferred through a partnership mostly stays with the individuals that were agents on the knowledge transfer. Therefore, to make the knowledge an asset of the firm to achieve competitive advantages it is important to ensure the dissemination of the knowledge from an individual level to a group level (Narteh 2010). The results showed that two cases identified the *interaction within the firm* as social integration mechanisms.

In the process to attain realised absorptive capacity, the results showed *leadership commitment* on two studied cases. The commitment of the decision makers to the relationship with Biedronka boosted knowledge transfer, learning and exploitation (Inkpen 2008).

At last, firms only reach the realised absorptive capacity when most of firms accept individuals to *dismiss old knowledge* into new knowledge with impact on organisational actions (Inkpen 2008). Although, the firms' ability to exploit external knowledge into innovative capacities is positively influenced by the prior knowledge of a firm (Cohen and Levinthal 1990), old knowledge can also be an inhibitor to achieve the realised absorptive capacity stage. According to Inkpen (2008), in order to exploit new knowledge, the old knowledge must be modified. However, to *dismiss old knowledge* is often difficult for many individuals of a firm, as the results indicate in one of the cases, making the transformation and exploitation of external knowledge harder.

4.6.3. EXPLOITATION OF COMPETITIVE ADVANTAGES

As denoted by Cohen and Levinthal (1990), the absorptive capacity is the ability of a firm to acquire and transform external knowledge and apply it to new commercial

ends. Nevertheless, firm's process to transform the external knowledge into a competitive advantage is a complex and very dynamic process

The results showed that all four firms who reach the realised absorptive capacity stage absorbed and transformed external knowledge, since they were able to adapt their products and services to the Polish market needs. Nevertheless, only two of the four firms explore their competitive advantage in the pursuit of new partnerships.

The appropriability regimes boost or discourage firms to accomplish strategic flexibility, innovation and performance (Zahra and George 2002). To achieve and explore a sustainable competitive advantage firms must protect their innovations avoiding competitive spill-overs. Moreover, the appropriability regimes may also be internal firm decisions that influence the successful exploitation of the competitive advantages to new commercial ends, such as: *management decisions*, *productive capacity* and *avoidance of potential conflicts*.

The results showed that for *management decisions*, *productive capacity limitations* or *avoidance of potential conflicts* with a big client as Biedronka discourage the firms to explore the realised absorptive capacity and apply the new knowledge to commercial ends.

Furthermore, although not defined as a category, it is important to acknowledge the dimension of Biedronka. With almost 3000 stores in Poland, Biedronka is one of the bigger food distributors in Poland. Therefore, having a client with the dimension of Biedronka may discourage firms to establish new partnerships in this country since Biedronka covers the whole Polish market as it is one of the biggest supermarket chain. It is also important to denote the impact of the network, in this specific case, the dimension of the Jerónimo Martins Group, in the internationalisation process of their partners. The results showed that firms internationalise to Poland as a consequence of the Jerónimo Martins Group internationalisation process.

Additionally, the results showed that working with Biedronka is not as demanding as working with a firm in a new foreign country. The link between Biedronka and Jerónimo Martins and the fact that Biedronka, although a Polish company, is embedded in Portuguese culture facilitates the partnership and narrows the *psychic distance*

between partners. For that reason, the experience of working with Biedronka is not as challenging as working with other Polish partners which leads us to believe that the experience and knowledge acquired by the firms during collaboration, though important, is not as rich as the experience and knowledge shared with other Polish customers. The two firms, who achieve the realised absorptive capacity but did not establish new partnerships, acknowledge the relevance of knowledge transfer from Biedronka in the pursuit of new partnerships; but also pointed out that, they will have some problems establishing new partnerships due to *psychic distance*. Suggesting Biedronka is an intermediate step to internationalisation to Poland.

4.7. Conclusion

Being exposed to knowledge is not *per se* a guarantee to knowledge transformation into competitive advantages. The process of knowledge transformation is hard and complex. The process is composed by four stages, which stage with multiple elements that encourage or compel the firms' ability to achieve the next stage.

The results indicate *interaction* (trigger), *learning intent* (trigger; inhibitor), *visits* (trigger), *awareness of all actors* (trigger; inhibitor), *diversity of experiences* (trigger) and *recognition of knowledge value* (trigger; inhibitor) as influential elements in the firm's pursuit of the potential absorptive capacity (second stage). The following items influence the achievement of the third stage – realised absorptive capacity: *same culture* (trigger), *interaction* (trigger), *visits* (trigger), *recognition of knowledge value* (trigger), *interaction within the firm* (trigger), *leadership commitment* (trigger) and *dismissing old knowledge* (inhibitor). The accomplishment of the last stage of the absorptive capacity process is influenced by *management decisions* (inhibitor), *productive capacity* (inhibitor), and *avoidance of potential conflicts* (inhibitor) of the firm.

Nevertheless, the process of transformation of the knowledge exposed and experience gathered from the collaboration with Jerónimo Martins Portugal and

Biedronka is not deterministic since firms may stay in any stage of the process. There are multiple drivers (internals and externals) that firms must conciliate in order to acquire and transform the knowledge exposed through collaboration.

Furthermore, the results indicate that the fact that Biedronka is an intermediate step to internationalise to Poland due to its lower *psychic distance*.

5. CONCLUSION

The present research aimed to understand the ability of firms to transform the experience and external knowledge to which they were exposed through collaboration in a foreign country into a sustainable competitive advantage.

According to Håkansson and Snehota (1989), no “business is an island”. Although firms are independent actors they are linked in a complex net of relationships. In the pursuit of their own goals, firms created collaborations with suppliers, competitors and customers (Håkansson and Snehota 1989). Collaborations are an important source of knowledge about foreign markets (Argote and Ingram 2000, Eriksson and Chetty 2003) and thereby, increase the firms awareness to foreign market opportunities (Coviello and Munro 1995, Johanson and Vahlne 2009). Although, the collaboration in a foreign country is an important source of market knowledge, the exposure to knowledge is not alone a precondition of firms absorptive capacity (Matusik 2000). In order to achieve a sustainable competitive advantage firms must have the ability to acquire, assimilate, transform and exploit the knowledge.

To better address the research question it was analysed that the absorptive capacity process of firms during collaboration with a new foreign provider was linked with a domestic provider.

The empirical analysis of the absorptive capacity process suggest that there are multiple elements that determinate the firm’s effective capacity to acquire, assimilate, transform and exploit external knowledge in the pursuit of new commercial ends in a foreign country. This process is composed of four stages. The starting point of the process is the exposed knowledge through collaboration. To achieve the potential absorptive capacity stage firms must encompass the ability to acquire and assimilate knowledge. The activation triggers are the elements that influence the firm’s capacity to attain the second stage. The third stage, realised absorptive capacity, reflects the firm’s ability to transform and exploit new knowledge. Social integration mechanisms affect the firm’s capacity to reach the realised absorptive capacity. The last stage of the

process is the exploitation of competitive capacities and this ability is influenced by regimes of appropriability. The process is not deterministic; it can be interrupted in any stage.

Consequently, the research results reinforce the idea that firms with higher absorptive capacity are more capable of identifying the presence of knowledge flows and, more importantly, exploit them efficiently, therefore absorptive capacity is a relevant source of competitive advantages (Escribano, Fosfuri et al. 2009).

The firms that understood the network context in which they exist and recognise the new foreign provider as an independent actor, the domestic provider, although connected in the same network, were able to acknowledge the opportunity to establish a new partnership in a new country.

In addition, it is also important to denote that the firms, which constituted the source of knowledge during collaboration, detain a relevant position within their network. Therefore, the *liability of outsidership* is low since the collaboration with a major actor in a new market will reduce the uncertainty and difficulties associated with the internationalisation process (Johanson and Vahlne 2009). A relevant position in a network increases the firms' access to valuable knowledge, therefore leveraging the opportunities for knowledge acquisition and exploitation (Tsai 2001).

Furthermore, the results suggest that the new foreign partner is an intermediate step to internationalisation. Although a relevant company in the foreign country, the feedback of the cases studied indicates that the *psychic distance* with this particular foreign provider is lower than that of other foreign firms. Therefore, working with this particular foreign provider was not as challenging as working with other partners. The firms incurred lower risks and costs in this particular internationalisation process. The establishment of a new partnership, though easier due to the knowledge and experience in the foreign market, it will be challenging for firms since they must overcome the *psychic distance*. Moreover, the firm internationalises to a new foreign country as a consequence of its domestic partner internationalisation, which suggests that, in some level, the firm *semi-internationalises*, or, to look at it from another perspective, this was a *semi-foreign* partner.

Using as groundwork the absorptive capacity model of Zahra and George (2002), this research suggests new theory about the process of transforming external knowledge exposed through collaboration in a new foreign market into a competitive advantage.

The firms' absorptive capacity process during internationalisation is of interest to managers and theorists alike. Since knowledge diminish the perceive cost and risks associated to internationalization process (Eriksson, Johanson et al. 1997), and increases the firm's awareness to new relevant knowledge (Cohen and Levinthal 1990). In addition, internationalisation is a key factor to domestic firm's growth in a small open economy.

Managers of entrepreneurial firms can benefit from a better understanding of exposed knowledge through partnership during the internationalisation process. Given that market knowledge is a valuable resource during internationalisation and relationships are a relevant source of knowledge. In addition, being exposed to knowledge is not a precondition to knowledge transformation into sustainable competitive advantages, therefore managers of entrepreneurial firms must be understand how this knowledge can be used on firms' advantage.

Furthermore, following a partner to a new foreign country smaller firms may compensate the negative effect of theirs limited capabilities and management resources during internationalisation. Through the collaboration the firm will have access to valuable knowledge diminishing the costs and risks of internationalisation.

From a practical viewpoint, the findings of this research also suggest that managers must be aware of firm's network, understand how important and profitable *second-hand knowledge* can be during the internationalisation process and how to exploit this knowledge.

5.6. LIMITATIONS AND RECOMMENDATIONS

Bestowed upon qualitative approach, this study does not aim to confirm given hypotheses or theory building. On the contrary, as an explanatory work, this research aims to open discussion about the process of absorptive capacity of knowledge exposed through collaboration in an internationalisation context. This study's ambition is to provide new theory suggestions, which may lead to new lines of research. In result, and although the data analysis were systematic and accurate, the analysis of qualitative data is subject to the researcher's interpretation.

The empirical research findings gave emergence to categories on the process of absorptive capacity; consequently it is advised that further research is carried out to confirm the emerged categories unequivocally.

Additionally, the present study focuses its analysis on firms which internationalised to Poland with Biedronka and the process of transforming the expose knowledge through collaboration into competitive advantages. These characteristics were a precondition to sample selection with the aim of mitigating the noise of the source of knowledge on the process of the absorptive capacity. Therefore the results of this research cannot be generalised, which was never the aim of this exploratory work in the first place. The specificity of the cases analysed is viewed as a starting point to further investigate rather than a point of arrival.

For that reason, it is suggested that analysis is extended of other partnerships and other countries for good measures.

Moreover, all cases discussed in this study are of Portuguese SMEs, therefore it will be interesting to understand if the dimension and country of origin of the firm affects the process of absorption and exploitation to new commercial ends the experience and knowledge shared with Biedronka.

In addition, further research should incorporate the dynamic capabilities perspective. According to Al-Aali and Teece (2014), the dynamic capabilities are the organisational characteristics needed in order to take hold of opportunities. Regarded as

a foundation for the firms' sustainable competitive advantage, the dynamic capabilities are constituted by three clusters of process and managerial activities: "(1) identification and assessment of opportunities at home and abroad (sensing), (2) mobilization of resources globally to address opportunities and to capture value from doing so (seizing), and (3) continued renewal (transforming) (Al-Aali and Teece 2014, p. 107). Since international business environment is different from the "home" country, managers must be capable of sense the opportunity in the foreign country, seize it and finally transform the firm to better address the new market (Al-Aali and Teece 2014).

5.7. FINAL CONSIDERATION

The greatest contribution of this study has been to provide new information of the complex phenomena, which is the transformation of the external experience and knowledge that a firm is exposed to during collaboration in a new foreign country into a sustainable competitive advantage.

This study deconstructed the absorptive capacity model of Zahra and George (2000), suggesting new elements, which influence the process as a result of the continuous interaction between the literature review and the empirical research.

The use of Biedronka and Jerónimo Martins Portugal as a common denominator in the case analysed resulted in very satisfactory results as the particular case of Biedronka is quite peculiar. The results showed that, though a Polish company, the process of absorptive capacity was facilitated by its lower *psychic distance*.

This exploratory work, met its purposes, contributing to the general knowledge for this phenomena but also gave new insights to the effects of the network, in the specific case of Biedronka, in the absorptive capacity of firms.

The firm's process to transform the expose knowledge through a partnership in a foreign country into a competitive advantage is a complex and very dynamic process, in

which it is not enough to be merely exposed to knowledge. It is also necessary for the firm to have absorption capacity.

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ANNEXES

ANNEX 1: E-MAIL OF REQUEST FOR THE INTERVIEWS

Assunto: Projeto de Investigação :: Universidade do Porto :: Faculdade de Economia

Exmos. Srs. (____)

O meu nome é Andreia Barbosa e encontro-me actualmente a desenvolver um projeto de investigação no âmbito da tese de Mestrado em Marketing na Faculdade de Economia do Porto, Universidade do Porto, sobre o conhecimento/experiência partilhado entre parceiros durante o processo de internacionalização.

No seguimento deste projeto de investigação, venho por este meio indagar sobre a possibilidade de realização de uma entrevista com o responsável pela expansão internacional na V/empresa.

Esta entrevista tem como objetivo compreender se através da parceria com a Jerónimo Martins obtêm informação que facilite a internacionalização, como é que se dá essa transferência de conhecimento e até que ponto a empresa conseguem aproveitar esse conhecimento.

No mesmo sentido, estamos a contar com a colaboração da Jerónimo Martins neste projeto de investigação.

Gostaria de salientar que não serão solicitados quaisquer dados financeiros e, caso o desejem, o nome da empresa não será divulgado no estudo.

Este projecto de investigação está a ser desenvolvido com a ajuda e orientação da Professora Dra. Raquel Meneses, docente na Faculdade de Economia do Porto, Universidade do Porto.

No caso de necessitar algum esclarecimento adicional, por favor, não hesite em contactar-nos:

Andreia Barbosa

Tlm: 936 253 949

e-mail: andreiocardosobarbosa@gmail.com

Professora Dra. Raquel Meneses

(http://sigarra.up.pt/fep/pt/func_geral.formview?p_codigo=233177)

Tlm: 966 435 347

e-mail: raquelm@fep.up.pt

Agradecemos desde já toda a atenção prestada, ambicionando com expectativa o contributo da vossa parte para o enriquecimento deste projecto de investigação.

Com os melhores cumprimentos,

Andreia Barbosa

ANNEX 2: INTERVIEW GUIDE LINE

1. Há quantos anos é fornecedor da Jerónimo Martins em Portugal?
2. O que aprendeu com a Jerónimo Martins ao longo da relação comercial em território português?
3. Quais os procedimentos do seu negócio que teve que alterar/melhorar para poder (melhor) fornecer a Jerónimo Martins?
4. Para que países se internacionalizou após o início da relação com a Jerónimo Martins?
5. Acha que tem impacto positivo no processo de internacionalização para um novo mercado a diversidade de experiência em outros mercados?
6. Considera que a experiência de trabalhar com a Jerónimo Martins e o conhecimento gerado facilitam o processo de internacionalização para os novos mercados?
7. Porquê?
8. Em que medida a relação com a Jerónimo Martins foi decisiva para a internacionalização para o mercado polaco?
9. No caso específico do mercado polaco, que tipo de conhecimento obteve com a Jerónimo Martins que de outra forma seria difícil obter?
10. Conseguiu desenvolver novas parcerias na Polónia?
11. Em que medida a relação com a Biedronka permitiu o desenvolvimento de novas parcerias na Polónia?

12. Considera que a relação com a Biedronka foi preponderante no seu processo de internacionalização para a Polónia no sentido que diminui o risco de internacionalização?